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IRAN:
Details, Views of 1993 Budget

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CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

* Rafsanjani Presents Budget *[RESALAT 16 Dec]* 1
* RESALAT Publishes Budget *[RESALAT 20, 21, 22 Dec]* 9
* Larijani Editorial *[RESALAT 24 Dec]* 30
* Nurbakhsh, Roghani-Zanjani Views *[RESALAT 26 Dec]* 31
* Tavakkoli Expresses Views on New Budget *[RESALAT 29, 30, 31 Dec, 2, 4, 5, 6 Jan]* 32

* Rafsanjani Presents Budget

93AS0364A Tehran RESALAT in Persian 16 Dec 92 pp 5, 6, 15

[Excerpt] Legislative and Parliamentary Affairs Division. The 54-billion rial 1372 [21 Mar 1993-20 Mar 1994] budget bill was presented to the Majles by the president yesterday. The preliminary discussion on the budget bill, that is, national production, investment, expenditures for private consumption and government aid, the fiscal situation and the budget of the government, the banking system and monetary and credit policies, exports and imports, and the examination of the general framework of the 1372 national budget were published yesterday. It is interesting that before the budget was presented by the president, Mr. Seyfian and Ms. Behruzi, deputies from Tehran, and Ms. Homayun Moqaddam, the deputy from Tabriz, were the pre-agenda speakers. Now, we present the continuation of the issues in the 1372 budget bill and the speeches of the deputies to the readers.

1. General Government Budget

A. Revenues

The revenues in the 1372 budget bill have been estimated at 2,358.5 billion rials, which compared to the figure ratified in 1371 [21 Mar 1992-20 Mar 1993] has increased by 120.6 percent. Of the above-mentioned figure, 23 percent are tax revenues, 67.7 percent are oil revenues, and 9.8 percent other revenues. As is evident, with the creation of a single rate for foreign currency, the actual revenue share in the total government revenues has become clear, and the suitable grounds for future planning in this regard have been provided. The last point is particularly important, since 1372 is the base year for the policies of the Second Developmental Plan.

The tax revenues in 1372, considering the projected preparations within the framework of the First Developmental Plan, have been estimated at 5,419.7 billion rials, which compared to the ratified figure this year shows an increase of 50 percent. Hence, the ratio of tax revenues to the gross national product, which has been increasing since 1368 [21 Mar 1989-20 Mar 1990], will reach 8.2 percent in 1372, which is approximately the goal of the First Developmental Plan. The increase in tax revenues in 1372 is mainly due to the increase in income taxes and taxes on imports. The above-mentioned increases will also be achieved as a result of the improvement of the national economy and the expansion of production and trade activities.

In estimating the oil revenues, while emphasis is placed on proper use of the production capacities and oil exports, the changes in the world market have also been taken into consideration. Concerning other government revenues, which are mostly the result of government production and service activities, a growth of 20.4 percent has been taken into consideration. Given the mechanisms and motivations in the framework of the First Developmental Plan, the notes to next year's budget, and the attached bill of the law on the collection of certain government revenues and their uses in certain projected areas, it is expected that the above-mentioned figure will be achieved.

B. Expenditures

Current Expenditures

Current expenditures in the 1372 budget bill are estimated at 13,903.4 billion rials, which shows an increase of 85.3 percent compared to a similar figure in 1371. Without considerating the increase due to the change in the foreign currency rate and other included new items, the increase in current expenditures for next year compared to 1371 is about 21 percent. One of the essential considerations in writing the current budget for next year is the projection of sufficient funds to compensate for the decrease in the purchasing power of government organizations due to the creation of a single foreign currency rate and the prevention of an increase in the price of essential goods. In the same connection, while including sufficient funds to implement the law on the coordinated payment system of government employees and debts to them from 1370 [21 Mar 1991-20 Mar 1992], the amount of 1,835 billion rials has been anticipated, to pay the difference between the price of essential goods (including wheat, rice, oil, sugar cubes and sugar, meat, and cheese) and 1,423.4 billion rials to pay for the difference in the rate of foreign currency for the press, the hajj pilgrims' share, the printing of textbooks, the import of medical equipment, grants to students, the airline companies, and the consumption of other executive organizations. Also, within the framework of the 1372 budget, the losses of regional water companies have been fully secured, and the necessary funds for the repayment of part of the government debt to the Social Security Organization and past savings debts to workers have been included.

One of the important characteristics of the proposed budget is the special attention paid to cultural issues and providing for the spiritual needs of society, particularly the young generation. Under the present conditions, considering the expansive volume of activities and planning carried out by the enemies of Islam to attack our Islamic and revolutionary values, and considering the advancements in technology and technical resources, in order to protect the Islamic and cultural goals of the country and the main investments of the revolution, there is no other way but an effective and proper cultural presence. For this reason, it is necessary to make an extensive effort to create various cultural and artistic programs and mass production and publication of books and films. For this purpose, in the next year's budget, attention has been paid to support for artists and writers, aid to the producers of sound and beneficial cultural products, and preparing the grounds for encouraging the people and the nongovernment sector to engage in cultural activities.

Another important point to which the government has paid attention in the 1372 national budget is extending coverage and greater protection for the vulnerable strata of society. In this regard, the government is preparing a comprehensive plan that, after studies have been made, will be presented to the honorable Majles as a bill. In the 1372 budget bill, in order to protect the vulnerable strata, the funds of the related organizations have increased from 704.4 billion rials this year to 1,342.2 billion rials, an increase of 90 percent, the major part of which is allocated to increased salaries. With the above-mentioned funds, next year about 1,581,000 families, including 6.3 million people of society, will be extended coverage, and every family will be paid 80 percent of the minimum salaries and wages of the employees. Hence, in 1372, the number of people under coverage has increased by 24 percent, and the level of payment of wages to people under coverage will about double that of 1371.

In the continuation of the basic directions of the current expenditures in recent years, the social sectors, including general, technical and vocational training, higher education, culture and art, health and treatment, and social security and welfare, will have a major share in the increase in current expenditures next year. The current expenditures of the above-mentioned sectors in 1372 have been projected to be a total of 6,342 billion rials, the net amount of which (with the omission of the effects of the change in the foreign currency rate and modifications due to the implementation of the law of the coordinated payment system) comprises about 46 percent of the total current expenditures and compared to 1371 shows an increase of 47 percent. This increase is more than double the total average growth in current expenditures for next year. Also, special attention has been paid to the existing problems in the judicial sectors and the preservation of order and security in the country, and the related expenditures have increased by 67 percent and 52 percent, respectively.

The ratio of current expenditures to the total government expenditures in 1372 will be about 59 percent, which compared to similar figures in 1369 [20 Mar 1990-20 Mar 1991] and 1371 show significant improvement in the composition of current and developmental expenditures.

Developmental Expenditures

Developmental funds in 1372 have been estimated at 9,809.6 billion rials, which compared to the 1371 ratified budget shows an increase of 148 percent. Hence, the ratio of the developmental expenditures to the total funds of the government developmental budget will reach 41 percent, which is the highest in the last 27 years. From the above-mentioned funds, next year numerous projects will be completed and become operational, including 19 important projects involving a total estimated funds of 1,080 billion rials, while major parts of another eight important projects will also be completed. The important projects that will become operational next year are: the Arak petrochemical industries, the seventh refinery of Arak, Saveh Dam and Pishin Dam, the cement factories of Abadeh and Qa'en, the wheat storage silos of Hamadan and Gonbad, the production complex for raw materials for detergents, and the Kerman tire factory.

In the distribution of government developmental funds in 1372, the basic tendency is to provide the needed investment sources to create the physical educational capacities, to develop water and soil resources, and also to provide for fundamental needs, particularly communication needs, while the major part of the investment funds needed by the petroleum, natural gas, and electricity companies will be provided within the framework of the developmental budget for next year. Considering these priorities, the developmental funds, without taking into consideration the funds resulting from foreign currency compensation, compared to the ratified 1371 figures have increased by 45 percent, in which the educational sectors, including precollegiate education, technical and vocational training, higher education, water resources, electricity, oil, natural gas, and roads and transport are given priority. The share of developmental funds of the above-mentioned sections in the total developmental funds in 1371 is 37 percent, which will reach 54 percent in 1372.

The provincial developmental budget for 1372 is more favorable quantitatively and qualitatively compared to the previous years, such that it has gained a more suitable structure and, while covering more of the regional needs in the form of various notes, the main tendency is toward creating more of a balance in various areas and benefitting the deprived and less-developed regions of the country.

The provincial development plan next year has been estimated at 1,296 billion rials, which compared to a similar figure in 1371 has increased by about 78 percent. The main tendency in the distribution of the above-mentioned funds is in eliminating educational, health and treatment, and fundamental needs, through such projects as the creation of roads and providing rural electricity and drinking water. Also, production affairs, such as agriculture and water resources, in addition to the above-mentioned funds, within the various lines and notes of the budget bill, as well as special funds for the implementation of developmental plans in provinces have been taken into consideration, which, on the whole, have increased the volume of provincial funds significantly.

Another important characteristic of the developmental budget next year is the continuation of special attention paid to deprived and less-developed regions, which are one of the major aspects of the policies of the First Developmental Plan. To achieve the goals stated in Note 5 of the law of the First Developmental Plan, in the distribution of provincial developmental funds in 1372, this tendency has been preserved, and the deprived areas of the country will benefit from favorable funds. In the

1372 budget bill, the amount of 159 billion rials in special funds have been included to eliminate deprivation and compensate for the existing gap between such regions and the prosperous areas of the country, in Part 6 of the bill, under the heading of special funds for deprived areas. This fund compared to the previous year has increased by over 54 percent and has been extended from six developmental sections in 1371 to 13 developmental sections in 1372, which mainly include fundamental job-generating projects in the rural areas.

Another characteristic of the 1372 budget is the inclusion of funds to complete incomplete projects to reconstruct earthquake-stricken regions in the provinces of Gilan and Zanjan and to complete the projects that had started from this source. For this purpose, a total of 50 billion rials have been allocated, of which 41 billion rials are for provincial projects and 8 billion rials for national projects.

Among the other major features of the 1372 budget bill is special attention to the reconstruction of the war-stricken regions and providing the necessary conditions for the return of the war refugees to their homes. Hence, in order to expedite the implementation of the reconstruction projects, for the first time the reconstruction funds in the bill have been decentralized and included in the provincial budgets within a framework and plan distributed to the war-stricken provinces. Investments for reconstruction involve a total of 600 billion rials, of which 320 billion rials are for the implementation of provincial and national projects and 280 billion rials for the payment of compensation for damages resulting from the war. This fund has increased by more than 71 percent compared to the funds in the previous year. With the implementation of this budget, it is anticipated that about half a million other war refugees will return to their homes.

2. Budget of Government Companies, For-Profit Establishments Affiliated With the Government and Banks

In connection with government companies, last year numerous steps were taken to improve their operations and their output. This year the policy of transferring government companies to the nongovernmental sector continued with efforts to attract the participation of the people. Parallel to these steps, other government companies in the created atmosphere have been able to carry out activities to promote quality and production methods in order to meet the necessary requirements to participate in world markets.

The resources and uses of government companies, banks, and for-profit establishments affiliated with the government in 1372 have been estimated at 34,731.9 billion rials. This figure is 57.7 percent of the total national budget and has increased by 93 percent compared to a similar figure in the budget of this year.

In 1372, government companies within the framework of the goals of the section stated in the First [Developmental] Plan will invest 11,039 billion rials of their internal resources, the facilities of the banking system, and other sources. This figure shows an increase of 150 percent compared to 1371.

Taxes paid and share profits of the government companies in 1372 have been estimated at 616.9 billion rials and 129.9 billion rials, respectively, which have increased by 76 percent and 399 percent compared to similar figures in 1371.

Examination of the Budget of Sectors in 1372

In this section, I shall speak about some points of the government implemental programs in 1372 and point out the characteristics and implemental consequences of the budget bill in various sectors.

1. Precollegiate Education and Technical and Vocational training

It is projected that in 1372, about 17.4 million precollegiate students will be studying at various levels. Of this number, about 10.6 million will be in elementary education, 4.2 million in middle school, 2.1 million in general high school, and about 0.5 million in other general educational programs. Based on these figures, achievement of the projected quantitative goals for middle school and the teacher training and literacy activities shall be greater than the goals of the programs and in regards to elementary education about equivalent to the goals of the program. Also, it is projected that nonprofit schools will absorb about 200,000 students in various educational levels.

At the present time, 5,700,000 square meters of educational space is being constructed, and it is projected that in 1372 with the completion of about 30,000 classrooms, new capacity for nearly 1 million students will be provided for single-shift use of classrooms.

Next year, in order to implement the new high-school system, appropriate resources have been provided that will facilitate the implementation of this system on a trial basis.

In the area of technical and vocational training, in 1372, the necessary resources to equip the existing centers to help implement the new high school system in the area of work and knowledge have been provided, and significant funds have been placed at the disposal of the Ministry of Labor and Social Affairs to expand technical and vocational training.

In this year's budget, necessary funds to expedite the implemental operations of the technical and vocational training centers and establishments under way have been anticipated.

2. Higher Education

The number of students in universities and higher education institutions in 1372 will reach 780,000, which compared to this year shows an increase of 16 percent. Of the above-mentioned number, 310,000 will be in full-time attendance at government institutions, 120,000 in part-time attendance at government institutions, and 350,000 in attendance at nongovernment institutions.

Projected current and developmental funds for the higher education sector in 1372 is a total of 882.3 billion rials, which compared to a similar figure in 1371 has increased by 93.4 percent. This is while funds for this sector in 1371 compared to 1367 [21 Mar 1988-20 Mar 1989] had quadrupled, and in 1372 the funds for this sector will have a significant increase. This shows the special attention of the government to the development of higher education.

At the present time, 5 million square meters of educational and student space, including 5,700 teaching hospital beds, in order to increase the educational capacity by 20,000 people, are under construction. Also, 25 building projects with 250,000 square meters under construction are under way to expand research.

The educational and educational aid capacities that will reach operation from the developmental funds in this sector next year are:

Educational, 8,700 persons
Dormitories, 7,323 persons
Cafeterias, 5,200 persons
Libraries, 600 persons

3. Culture, Mass Communication, Tourism, and Physical Education

To implement the wise statements of the supreme leader, in order to fight foreign cultural invasion, next year special attention has been paid to carrying out cultural and artistic activities. In this connection, funds for the culture and arts section have increased significantly compared to this year. Next year, 16 public libraries, 3 cultural and art centers for children and youth, and 30 mobile rural culture and arts centers will become operational. Also, 290 book titles, with 8.7 million copies, will be published for children and youth, and special funds have been projected to make proper use of video films.

In the area of preserving and revitalizing the cultural heritage next year, 250 historical monuments and buildings will be repaired and 14 museums will become operational in the country.

In 1372, the implemental operations to install 13 radio stations, 17 television stations, and seven centers for production and transmission will be completed in the country, which will increase the coverage of Networks 1 and 2 of the Vision [television] and Network 1 of the Voice [radio] to more than 95 percent of the national population. By the end of 1372, 13 new agencies in the country and 2 new agencies abroad will be added to the existing agencies. Hence, the number of agencies owned by IRNA in the country and abroad will increase to 26 and nine [as published].

In the sector on national and international tourism, investments by the nongovernment sector have been encouraged and necessary support anticipated. In this sector, the number of residential units of the private and government sectors have increased by 500 units; hence, the possibility for creating about $200 million in foreign currency revenues through attracting foreign tourists has been provided.

Next year, in the physical education and sports section, about 12 national projects and 50 provincial projects will become operational, in which case the existing athletic capacity in the country will increase by about 19,000 people per day.

4. Health and Treatment

In 1372, about 6,500 physicians and paramedics will be sent to needy and deprived regions to provide a medical and paramedical work force.

The physical capacity of production and offering health and treatment services that will be created and equipped and become operational next year are:

Health centers, 800 units
Rural and urban health and treatment centers, 360 units
Provision and installation of water pipes, 1,000 villages
Bases and centers for blood transfusion, 7 units
Birthing centers, 50 units

In 1372, the capacity of hospitals under government coverage to hospitalize patients will increase by 3,000 beds. Also, next year the blood processing unit in Tehran, with an ultimate production capacity of 80,000 liters of plasma, will become operational. The operation of this processing unit will not only free the country of reliance on blood products, but will have a determining effect on raising the health and treatment level of needy patients, including those who suffer from thalassemia.

5. Welfare

To support the vulnerable strata, an increase in the number of people covered by the emergency and support organizations is one of the policies emphasized by the government in 1372. In this section, in addition to the increase in the salaries of wage earners and the increase in the number of families under coverage by the emergency and support organizations, to which it was referred in the general section, the average per capita health insurance will increase from 900 rials this year to 1,500 rials next year.

Twenty-five recuperation centers and 30 support centers will become operational in 1372.

6. The Judicial Branch

Considering the important and essential role of the judicial branch in creating social and economic security in the country, the strengthening of this section is especially noted by the government. For this reason, in 1372, funds for this branch will increase by 40 percent compared to 1371.

Next year, the judicial branch will be able to take steps to supplement the salaries of judges by 50 percent with extra pay. This will play a significant role in increasing their productivity.

In 1372, for the first time, in order to complete unfinished buildings, in addition to the special revenues of this branch, a special fund from the general budget has been anticipated. Also, necessary projections have been made to equip the judicial units.

7. The National Administrative System

One of the serious problems of the government can be considered the existence of numerous and complicated laws, regulations and instructions that are the most important factors in slowing down the administrative affairs and contributing to the discontent of the people. For this reason, in recent years, the government has been determined to carry out essential reforms in this area. In this connection, so far the new methods of issuance of passports, drivers licenses, building permits, changes of birth certificates, and customs regulations to release goods have been prepared by the Supreme Administrative Council and implemented. Next year, too, these steps will be followed up more seriously. In connection with organizational reform and limiting government organizations, eliminating the duplication of the duties of government organizations, creating the grounds for increasing the participation of the people in the administration of the affairs of the country, and transferring more authority to provincial and local officials are being studied. My hope is that, with the fruition of the completed activities, next year we will witness the implementation of the above-mentioned projects and the elimination of problems.

8. Defense Affairs

In next year's defense budget, the necessary projections have been made to fully implement the law of the coordinated payment system regarding the armed forces and increase food and clothing at 77 percent for the service duty personnel and 30 percent for the cadre. Also, in order to increase the salaries of soldiers, the necessary projections have been made.

In order to complete the developmental plans of the defense sector in 1372, the funds in this sector have been increased by 47 percent.

9. Foreign Affairs

The development of foreign relations, particularly with the newly independent Central Asian and Caucasian countries, has been noted by the government. For this purpose, this year, diplomatic relations with these countries have been established at the embassy or consulate levels, and in 1372, the necessary funds to provide the cadre and equipment of the newly established agencies of the Islamic Republic of Iran in these republics have been projected.

Next year, in order to develop the foreign relations of the Islamic Republic of Iran, the establishment of four new agencies at the embassy level, including one in Bosnia-Hercegovina, have been projected. Also, seven building projects of the agencies of the Islamic Republic of Iran, including offices and residences, will be completed in 1372.

10. Agriculture

In 1372, in the area of forests and pastures, the lumber production capacity from northern forests will be increased by about 1.1 million cubic meters, and about 100,000 hectares [ha] will be added to the forests.

In the livestock and birds program, the capacity of red meat production will be increased by about 50,000 tons. Also, about 70,000 tons will be added to white meat production, 90,000 tons to the capacity of eggs, 250,000 tons to the capacity of milk production, and 800 tons to the capacity of honey production.

In 1372, it is expected that hunting and harvesting of marine life will increase by 25 percent compared to this year. Also, it is projected that marine life reserves will go beyond the level projected in the plan.

In the area of cultivation, it is projected that the production of various agricultural products will increase. For example, we can point to the increase of one million tons of irrigated and dry-farming wheat production.

In the water and soil program, the operations under way have increased the average output of transfers and irrigation by 1.5 percent. The most important projects under way in this area are:

Coverage of traditional trees on 155,000 ha of land
Equipment and revitalization of 60,000 hectares of traditional lands
Equipment and revitalization of lands under storage dams on 55,000 ha
Leveling 250,000 ha of land
The creation of pressurized irrigation systems on 57,000 ha

11. Water Resources

The total amount of water provided by reservoir dams, at a capacity of 530 million cubic meters, and the implementation of small projects to provide water and increase the operation of existing capacities has been estimated at 1,595 million cubic meters.

In 1372, it is anticipated that with the completion of the construction of the Saveh Reservoir Dam in Central

Province, Barun Dam in the Western Azarbaijan Province, Band-e Chenakhor Dam in the Chahar Mahall and Bakhtiari Province, and Numel Dam in Mazandaran, the capacity of water in the country regulated by reservoir dams will increase by about 450 cubic meters. Also, the construction operations on 19 large dams and dozens of small dams will continue throughout the country.

The construction operations of Pishin Dam in the province of Sistan and Baluchestan, with a reservoir capacity of 250 million cubic meters, has been completed, and this dam will be filled by the end of this year.

The construction operations of the main irrigation and drainage network on 125,000 ha of land and the secondary networks on 177,000 ha of land will continue in 1372.

The construction operations concerning water outreach to cities and industries at 760 million cubic meters will also be pursued within the framework of the developmental projects.

12. Industries and Mines

In 1372, the Mobarakeh steel project that was put into operation this year will, with the industrial output, offer its products to society, and it is projected that the national steel production next year will go beyond 4 million tons.

The aromatic project of Esfahan, with a nominal capacity of 161,000 tons, has reached production on a trial basis this year, and by the end of this year will produce about 40 percent of its nominal capacity. Its production in 1372 will reach 60 percent of its nominal capacity.

The first phase of the Arak petrochemical industries, with a capacity of 300,000 tons of plastic products, will be operational this year. This complex will offer its products to the market next year.

The Ahvaz industrial carbon developmental project, with a capacity of 20,000 tons, will become operational on a trial basis in 1372.

The project for the production of raw materials for artificial fibers (D.M.T.) will become operational this year.

In 1372, with the completion of most exploratory projects of the existing mines, new resources will be ready for operation, including the numerous reserves of coal, phosphates, aluminum raw materials, gold, and some other metal and nonmetal substances.

Also, next year, with the completion of some of the mine equipment and operational projects, new capacities will be created. For example, more than 200,000 tons will be added to the coal production capacity, and 100,000 tons of phosphate concentrate will be produced.

It is noteworthy that the government is determined to continue to promote the growth of industries in the future years. In this connection, attention is paid to special protection policies as well. Especially in the phases of economic modification, the government policy to regulate the conditions of the activities of the industries sector is such that in addition to improving the structure of the industries, which is a necessary and inevitable issue, the survival of the national industries will be guaranteed. For this purpose, the following essential policies are noted: On the one hand, through special notes that are projected in the budget bill, support aid and subsidies will be offered to some industries. On the other hand, through a revision of the customs tariffs that are under way at the present time, national support for domestic products will be given.

13. Trade ..ad Cooperatives

Attention to the procurement of essential goods needed in the country has caused the essential goods to always take a significant share in the imports of the country. Also in 1372, the necessary resources have been taken into consideration for the import of essential goods and on this basis it is projected that the share of imports of these goods will reach 11 percent.

Next year, with the completion of the construction operations of two wheat storage silos with the capacity of 58 million tons and 251 multipurpose warehouses with a capacity of 266,000 tons, the storage facilities of the country will increase.

This year, with the practical start of work in the Ministry of Cooperatives, significant growth has occurred in this sector, such that the banking credit for cooperative affairs, which in 1368-1370 [21 Mar 1989-20 Mar 1992] was about 50 billion rials a year, in 1371 increased to 210 billion rials. In this connection, the necessary projections are made for the needed funds of the cooperative sector in Notes 3 and 4 of next year's budget.

14. Electricity

In 1372 a total of 1,752 megawatts [MW] of new capacity of the power plants in the country, including 815 MW of steam capacity, 928 MW of natural gas capacity, and 9 MW of diesel and hydroelectricity will be created.

Electrical transmitting lines for which the operations will be completed next year are:

400-kilovolt [kV] Transmission lines, 420 circuit km long
230-kV transmission lines, 1,500 circuit km long
132-kV transmission lines, 377 circuit km long
63-66-kV transmission lines, 1,452 circuit km long

Also, in 1372, 1,200 villages will be given electricity throughout the country, and service will be given to 565,000 new electricity customers.

15. Oil and Natural Gas

Next year, the Arak Oil Refinery will become operational, and thus 150,000 barrels per day will be added to the refinery capacity for crude oil, and the construction operations of the second Tang-e Fanni-Arak crude oil pipeline, with a capacity of 150,000 barrels per day, will be completed. Also, the operation of the second phase of Sarkhun Refinery in Bandar 'Abbas, with a capacity of 7 million cubic meters per day, will start.

The operations for the injection of natural gas of Phase 1 of Koranj will be completed in 1372, and as a result the average protected crude oil production will increase from 94,000 to 224,000 barrels per day. In 1372, operations in the refining unit of the Kangan Vali-ye 'Asr Refinery will be completed with a capacity of 22 million cubic meters of natural gas per day. Also, the operations of the second phase of the Sarkhun Refinery in Bandar 'Abbas, with a 7-million cubic meter capacity per day, will begin. Considering the refining capacity in the country, about 80 million cubic meters of natural gas will be refined by the existing refinery units in the country.

In regards to the transfer of natural gas in the country, the Sarkhun-Sarcheshmeh-Rafsanjan-Kerman transmission line, which is 440 km long, will be completed in Phase 3. Also, the natural gas transmission line of the northwest of the country, including Ardabil-Sarab-Tabriz-Tasuj-Urmia, with a total of 445 km, has been completed, and the natural gas pipelines of Neka'-Ramsar-Rasht, which is 400 km long, will be completed. In this connection, Phase 3 of the second national pipeline, which is 56 inches in diameter and 365 km long, will be completed.

The implemental operations of the transmitting pipelines, despite the problems in the acquisition of land, continuers in various areas of the country, and at the present time, 2,340 km of pipelines are under way, of which, by the end of 1372, 850 km will be operational. Hence, by the end of 1372 about 8,800 km of pipelines will be in the operational system of the country.

In regard to the creation of networks in the cities, at the present time natural gas outreach is under way in 24 new cities. This year, about 400 km of network is scheduled for completion. Considering the fitting progress of natural gas outreach in the country, at the end of the year, about 29,500 km of urban natural gas network and 1.6 million natural gas consumer connections should be complete. In this connection, about 2.7 million families will benefit from natural gas outreach. Also, 8,500 commercial units, 930 small and large industrial units, and about 19 power plants will be given natural gas service.

16. Housing and Urban Development

In the housing sector, the government, by devising policies and taking the following steps, will help this sector to prosper by increasing the number of residential units.

The creation of 18 new cities in various provinces will enable the creation of the grounds for the mass production of housing and eliminate some of the shortages. In 1372, the preparation of 3,500 ha of land in these cities will be completed.

Incentives will be given to encourage the appropriate distribution of funding facilities from the banking system and resources for housing production throughout the country through the reduction of the land under construction for residential units up to 100 square meters. In this connection, we intend to pay from government sources parts of the basic costs, including water and electricity connection costs and expenditures for the acquisition of building permits from the city halls, for builders who reduce the amount of land under construction for a residential unit to less than 75 square meters in large cities and less than 100 square meters in other cities.

In order to help the above-mentioned, in 1372, the possibility of the use of the funding facilities by urban water and sewage companies as well as bussing companies has been projected.

In 1372, based on the projected funds, it is estimated that through the urban land office, 47 million square meters of land will be placed at the disposal of people to build 130,000 residential units.

Through the Housing Organization, 24,000 residential units on 2.5 million square meters of land is under construction. By the end of 1372, about 5,000 residential units will be completed and sold.

17. Roads and Transport

In 1372 in the area of road building and road maintenance, a total of 8,629 km of national freeways, main roads, and secondary roads will be under construction, of which about 920 km will be completed and ready for use. Also, of the 6,000 km of roads that are being improved, about 714 km will be completed.

In the area of road maintenance, in 1372, 13,000 km of the existing roads in the country are being resurfaced with warm and cold asphalt. It is projected that by the end of next year nearly 1,700 km will be completed.

Under the program of rural roads, next year about 4,900 km of rural roads will be under construction. It is estimated that by the end of 1372, the construction 1,000 km of these roads will be completed.

In the area of the development and improvement of the railroad network, in 1372, the construction operations on about 1,200 km of single-track railroads and about 900 km of double-track railroads will continue. Among the projects under way in regards to the building of lines are the Bafeq-Bandar 'Abbas line, which is 616 km of double tracks and 77 km of single tracks, of which 260 km of single tracks between Bafeq and Sirjan have become operational, and it is anticipated that next year it

will be operational temporarily up to Tazorj Station, about 192 km from Bandar 'Abbas,. Also, the use of heavy trains from Imam Khomeyni Port to Tehran are among the operations under way. With the use of this system, the capacity of the southern axis, which is 3.5 million tons at the present, will increase to about 7 million tons.

In 1372, the operational capacity of the national ports will increase from about 25 million tons in 1371 to about 28 million tons. In the same connection, the level of transportation of goods in containers will increase from 850,000 tons in 1371 to about a million tons in 1372.

The capacity for the landing and takeoff of airplanes in the operational airports of the country will increase next year from about 400,000 airplanes to about 450,000 airplanes and the capacity for handling passengers from about 13.4 million people to about 14 million people. Also, passenger transportation on foreign flights will increase from 1.2 million people in 1371 to 1.6 million people, and on domestic flights from 6 million people to 7 million people.

18. Post and Communications

The most important activities of the steps in this sector in 1372 are:

The transfer of 600,000 new telephones to applicants throughout the country;

The establishment of communications between 1,000 new villages throughout the country;

The use of the sea cable of Jask Port in order to establish communications between Iran and the United Arab Emirates and the Persian Gulf countries and providing for the transit needs of the newly independent countries of the former Soviet Union with the Persian Gulf countries by using the Iranian communications routes;

The increase of 7,000 urban public telephone units and 1,210 intercity public telephone units throughout the country;

The creation of solar batteries in the Niri Fiber Production Factory with a capacity of 2 MW to provide electricity for some communication centers;

Reduction of time in the distribution of postal deliveries between provinces from 37 hours to 30 hours;

Increase in 1,000 financial post units throughout the city.

The points that were discussed are some of the activities under way by the government for 1372. I hope these activities will continue to expand in various directions for the rapid reconstruction of the country so that, by the grace of God, next year we shall witness more successes than ever before. In connection with the stages of the writing of the Second [Developmental] Plan, which is under way at the present, the planning system for the second phase has been approved by the Economic Council, and the divisional planning councils and planning committees of the provinces have been formed. These councils at the present are examining the past operations and the existing situation in the sector and devising a general framework for the program of he sector. One of the priorities of the Economic Council after the present budget is presented to the Majles is to study and decide the essential policies of the Second [Developmental] Plan.

I hope the second Five-Year Plan will provide the grounds to improve management and organization, increase productivity in the national economic system, and provide the government with the possibility to concentrate the government resources as much as possible on the implementation of fundamental social and scientific activities and the improvement of the general conditions of social life for the citizens of the Islamic Republic of Iran.

Global heathenism, through its false analyses, thought that the economic problems and the political and economic pressures of the oppressors could destroy the Islamic revolution. Today, it looks with despair for other solutions to achieve its sinister goals. The success of the Islamic Republic of Iran in recent years has, unfortunately, provoked the enemies of the Islamic Republic of Iran to various actions. The Zionist government with the support of the oppressors presents the Islamic Republic as a major threat. These hostile anxieties have caused various organized and coordinated provocations. Among the issues discussed recently about Iran is the issue of human rights, even though our country is one of the few countries in the Persian Gulf and Middle East region that has democratic freedoms, a popularly elected government, and a free and independent Majles elected from among the people. Our country has the greatest amount of freedom of the press, speech, and the pen, indeed in the expression of opinions. At the same time, the international organizations that claim to support human rights have ignored for years the behavior of the dictatorial governments that have held the historical record for injustice, cruelty, and tormenting the people and have ignored the violation of basic human rights, the violation of the right to choose, and the elimination of any sort of political and social freedom in the countries dependent on oppressors.

For the oppressors who have the longest history of creating, preserving, and supporting dictatorial regimes among the countries of the world, it is difficult to see a country that has a popular government among the imposed and unpopular governments. The mere existence of this contradiction from the perspective of the interests of the oppressors is very worrisome. In this connection, they make every effort to present the Islamic Republic of Iran as a country with expansionist tendencies, whereas the report card of the Islamic Republic of Iran shows that we pay attention to nothing but peace and stability in the region, and we are interested in nothing but the progress of the nations in the region.

Another noteworthy point that has been discussed lately is in connection with the strengthening of the defense of the Islamic Republic of Iran. This point is also discussed by the enemies of the country in order to make political and propaganda gains. As in the past, the supreme leader and the various officials of the Islamic Republic of Iran have announced that the Islamic Republic of Iran has no aggressive goal and continually follows the objective of having a deterrent defensive force at a normal level. If we calculate the figures of per capita military expenditures on the basis of the average cost for each person in the population of countries, the per capita defense expenditures in the Islamic Republic of Iran are by far lower than in many countries in the region. In our opinion, the most important defense investments of our country are the revolutionary and self-sacrificing people of the country. The faith, belief, and sacrifice of the people cannot be replaced by any equipment and hardware purchased from other countries. Hence, the creation of commotion, a propaganda climate, and exaggerations about the arms purchases and the arms programs of the country must not misguide the minds of the realistic people and governments of the region. In any case, it seems that a new wave of provocation and hostility by global oppressors is being prepared against the Islamic Republic of Iran. Confronting these provocations will require attention to various points, including the following:

1. Necessary internal coordination in order for the country to be able to continue its reconstruction and construction programs, despite all the external problems. This makes increased productivity, an increase in the level of activities, prevention of the waste of resources, expansion of internal abilities, and reliance on affairs related to development and research in various areas inevitable.

2. The decisionmaking system should have sufficient unity and coordination in order to be able to prepare and implement the necessary reactions at any time. Hence, it is necessary to avoid superficial differences of opinion and taste and in the area of content, to cooperate and think together at a satisfactory level.

3. In the affairs concerning political discussions, the expansion and spread of consumer expectations to attract public attention and support must be prevented and conditions be provided so that instead of placing pressure on the government to facilitate more consumption, the resources of society will be directed mostly towards creating capacities and essential investment. In this connection, it is necessary to limit government and private consumer expenditures and the volume of the consumer subsidies and pay more attention to the lofty value of frugality and conservation. A society cannot, on the one hand, consume its resources and, on the other, expect growth in investments and increase in its production ability. It is necessary to note that all the visible and invisible subsidies, many of the current government expenditures and also many of the miscellaneous and scattered expenditures that are engaged in by government organizations are in fact consumer expenditures or contribute to consumption. In this connection, of particular importance is the role of the honorable Majles in cooperation with the government in properly directing these resources to support the truly needy, on the one hand, and, on the other, to free some of these resources for reconstruction and fundamental investment. [passages omitted after end of Rafsanjani presentation]

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[Text]

Part I

Economic Division. The 54,000 billion rial national budget bill was presented by the honorable president of the Islamic Republic of Iran to the Majles last week. According to this bill the general government budget has been projected to be 25,000 billion rials. In the 1372 [21 Mar 1993-20 Mar 1994] budget bill, the tax revenues are projected to be 5,419.7 billion rials; the oil and natural gas revenues, 15,815.3 billion rials; and other revenues, 2,303.5 billion rials, which show a 45.7-percent, 261.6-percent, and 145.6-percent increase, respectively, compared to 1371 [21 Mar 1992-20 Mar 1993]. Also, the current expenditures are determined to be 13,903.4 billion rials and developmental expenditures 9,809.6 billion rials, which have increased by 103 percent and 229.6 percent, respectively. In the above-mentioned bill, the figure of borrowing from the banking system to make up for the budget deficit has reached zero for the first time in 25 years, and the figures stated in the next year's budget bill, with the exception of essential goods, medicine, defense items and petroleum products will be on the basis of the foreign currency rate that is calculated on the basis of supply and demand. Also, some of the items of the government expenditures that in the past were funded with the use of various methods outside the budget have been reflected in the framework of the general budget. Here, RESALAT announces its readiness to publish the opinions of the people and experts concerning the 1372 budget.

Below is the first part of the details of the single article and the notes of the 1372 budget. It is worthy of note that the following notes are proposed by the Plan and Budget Organization and the Cabinet to the Majles and some of the numbers may be changed by the honorable deputies of the Majles.

Single Article

The 1372 national budget in terms of revenues and other sources of provision of funds amounts to

54,179,737,648,000 rials and in terms of expenditures and other payments, 54,179,737,648,000 rials, as follows.

A. The general government budget in terms of revenues and other funding sources and in terms of expenditures and other payments amounts to 25,425,834,711,000 rials as follows:

1) General revenues and other funding sources, the amount of 23,713,005,338,000 rials, and the expenditures, 23,713,005,328,000 rials.

2) The special revenues of ministries and government establishments, 1,712,829,383,000 rials, and the expenditures and other payments from those funds, 1,712,829,383,000 rials.

B. The budget of government companies and banks and for-profit institutions affiliated with the government in terms of revenues and other funding sources amount to 34,731,917,836,000 rials, and in terms of expenditures and other payments, 34,731,917,836,000 rials.

The government is granted permission to guarantee and pay the revenues and other sources of funds stated in Section3 of this bill, while observing the related laws and regulations, in 1372 and the principles of the expenditures of the ministries and government establishments in addition to the aid and other funds that are included in the charts of Parts 4, 5, and 6 and Attachment Number 1 of this law, at the level of the collection of revenues and other sources of funds in 1372, while observing the related laws and regulations, and on the basis of the operations and activities of the exchanged agreements and the notes of this bill and on the basis of the allocation of funds.

The collection of revenues and payments of expenditures of government companies, banks and for-profit establishments affiliated with the government except for the investment expenditures that are provided from the general revenue funds (developmental projects funds) and are subject to the general fiscal and transactional regulations of the government is permitted on the basis of the charters and other laws and regulations governing the above-mentioned companies, banks, and for-profit establishments.

Note 1

The ceiling of the revolving funds of the treasury in 1372 is set at 2,300 billion rials.

Note 2

A. The general assembly or supreme council of the companies, banks, and for-profit establishments stated in Section 8 of this law are granted permission, based on government policies or the decisions that they can make according to the charter or the law establishing the above-mentioned companies and establishments, or if production or other main activities of the related company or for-profit establishment increases, or based on requirements resulting from the fluctuation of prices, or due to other economic and fiscal changes, to change the figures of the ratified 1372 budget of concerned companies and for-profit establishments stated in Section 8 of this law, observing the law of the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran and the regulations of the bylaws, provided this change, first, does not cause a reduction in the tax figures and profit of the government shares projected in the above-mentioned chart and, second, does not increase the level of use of the related for-profit company or establishment from the general government budget. The general assemblies of the companies and establishments stated in this paragraph, at the time examining and approving the balance sheet, operational figures, and profit and losses, shall be responsible for evaluating the report on conforming the operations of the company with the ratified budget, which is prepared by the company and presented to the general assembly after examination of opinions of the legal inspector and to make the appropriate decisions.

In order to create the possibility to implement the contents of Note 33 of the law of the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, all government companies and for-profit establishments are responsible for sending the changes stated in this paragraph of the note (amended budgets approved by the general assemblies) along with the necessary explanatory report to the Plan and Budget Organization. The directors of the general assemblies of the government companies are responsible for the implementation of this paragraph.

The Plan and Budget Organization shall be responsible for presenting a report by the end of Azar 1372 [21 Dec 1993] on the changes stated in this paragraph along with its views to the Plan and Budget, Economic and Finance and Accounting and Financial Affairs Committees of the Majles.

B. All government companies cited in Article 4 of the general accounting law of the country; banks and for-profit establishments affiliated with the government, and other government and for-profit establishments who are subject to the general laws and regulations, provided they are mentioned by name, including the Organization of the Voice and Vision of the Islamic Republic of Iran, the National Iranian Oil Company and affiliated companies as well as other companies affiliated with the Ministry of Petroleum, the Organization for the Expansion and New Construction of Iranian Industries and affiliated government companies, and the National Iranian Industries Organization (and affiliated government companies and centers for the procurement and distribution of goods), shall be subject to this note.

C. In the implementation of Note 32 of the law of the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, the payment of aid for losses from the general government revenues to the government companies in 1372 shall be dependent on an

agreement with the Plan and Budget Organization. All directors of general assemblies of government companies and those in charge of such government companies are responsible for finding that while separating the for-profit from nonprofit operations stemming from the general policies of the government of the Islamic Republic of Iran, the possibility for exchanging the above-mentioned agreement within the framework of 1372 budget of the government companies that have suffered losses will be provided.

D. The auditing organization shall be responsible for preparing the 1371 report on the establishment of the general assemblies and how their decisions are implemented by the board of directors of the government companies stated in this note and present it to the Plan and Budget and Economic and Finance and Accounting Committees of the Majles.

Note 3

A. The government is granted permission to guarantee credit facilities granted by banks to the projects of the agricultural and animal husbandry; industries and mines, scientific, cultural artistic, tourism, educational, engineering design and assembly design, transportation, athletic, health and treatment; self-employment and fundamental projects of water and soil with priority given to war-stricken, deprived, rural, and tribal regions and cooperatives; employment of self-sacrificers and those who have suffered losses in unexpected events and who have full economic, technical, and financial justification and only do not conform in terms of collateral and current investments to the regulations of banks, and the repayment of uncollected late installment payments as well as between 3 percent to 7 percent of the related service fees. The maximum of the credit facilities of this note is 700 billion rials and granting of credit facilities to complete and bring to operation projects that are under way from the funds of Note 3 of the national budget law of the previous years are given absolute priority.

B. Funds stated in Line 601027 of Section 4 of this law for the repayment of the difference between the profit and service charge and the late uncollected installment payments due to the implementation of Note 37 of the 1359 [21 Mar 1980-20 Mar 1981] budget law and Note 3 of the 1360-71 [21 Mar 1981-20 Mar 1993] budget laws, which will be allocated upon the suggestion of the Central Bank of the Islamic Republic of Iran through the Plan and Budget Organization.

C. The Sepah Bank is responsible, after the necessary studies, for selling all or a part of the property of those cooperative companies under the jurisdiction of the Ministry of Cooperatives that are incapable of depositing the loans they have received in accordance with the regulations at the time of the contract and secure and pay its own and the government debts from the inventory, debts to the companies, the property of the shareholders of the company and the gains from the sale.

If the total funds obtained from the above-mentioned steps are not sufficient to fully pay the debt to the bank, the Plan and Budget Organization shall be responsible for paying the remainder of the unpaid and uncollected late payments in this connection on the basis of documents and evidence presented by the Central Bank of the Islamic Republic of Iran from the funds in the lines announced in Paragraph B.

Concerning the payment of government commitments due to the contents of this paragraph in the previous years, at most two years after the last repayment by the borrower, the facilities will be the basis for calculation of profit and service charges of the bank and the surplus to it will be regarded to be due to the delay of the bank in collecting the legal debts and shall not be considered among government debts to the bank.

The Ministry of Cooperatives shall be responsible for placing all documents, agreements, evidence, commitments, information, and collateral that it has in its possession concerning these companies and their shareholders at the disposal of Sepah Bank to provide the possibility to collect the debts.

D. The implemental bylaws of this note will be proposed by the Plan and Budget Organization within two months after the ratification of this law and approved by the Cabinet.

Note 4

A. The government is granted permission in necessary cases to guarantee the repayment of funds placed at the disposal of the Agricultural Bank as revolving capital from interest-free loan sources or other national banking system sources through the Central Bank of the Islamic Republic of Iran and placed by the above-mentioned bank for the goals of the agricultural sector and rural industries in the First Economic, Social and Cultural Development Plan of the Islamic Republic of Iran to increase the production of this sector at the disposal of fishermen and farmers who are members of companies and unions of chicken farmers and cooperative and rural unions, the Emergency committee, the Welfare Organization, the Chicken Farmers Union, the nonurban production cooperative affiliated with the Ministry of Cooperatives natural and animal husbandry resources, honeybee keeping, fisheries, tribes, and commonly owned production cooperatives, unions and agricultural unions and companies, silk companiea, rural production unions and cooperatives and carpet industries and their members, at most until the end of Shahrivar 1372 [22 Sep 1993], with consideration for the contents of this note, up to a total amount of 300 billion rials from interest-free loan sources, and if insufficient, up to the amount of 700 billion rials from other banking system sources, and to include its debts in the national budget for next year.

The above-mentioned guarantee shall not negate the duties of the banks to collect the uncollected late debt payment due to the granting of such facilities. Those who

make use of the credit facilities of this note are required to repay the bank debts, and failure to do so shall be considered illegal use of government funds and property.

The maximum amount of 340 billion rials from the funds of this note shall be placed at the disposal of special organizations affiliated with the Ministries of Construction Jihad and Agriculture for the purpose of procuring improved eggs and saplings, wet cocoons, gunnysacks, sperm, silkworm eggs, animal husbandry and fishing tools and machinery, livestock drugs, and pesticides.

B. The implemental bylaws of this note shall be prepared by the Plan and Budget Organization within a month and approved by the Cabinet.

Note 5

A. The difference in funds collected by the Consumers and Producers Protection Organization shall not be subject to income tax.

B. Organizations that for the purchase and procurement of essential goods receive funds from the revenues obtained from the collected differences stated in Paragraph 10 of Article 7 of the charter of the Consumers and Producers Protection Organization from that organization are responsible by the end of Farvardin 1373 [20 Apr 1994] for returning the remainder of the collected unused and unpledged funds in this connection to the Consumers and Producers Protection Organization.

C. If the concerned organization fails to return the remainder of the funds stated in Paragraph B and the payment of the differences of the Consumers and Producers Protection Organization at the time stated in the above-mentioned paragraph, the Consumers and Producers Protection Organization shall be responsible for informing the Plan and Budget Organization and the Ministry of Economic Affairs and Finance. After investigation and verification of the issue by the latter organizations, the Ministry of Economic Affairs and Finance is allowed to take the equivalent of the remainder of the above-mentioned funds from the bank accounts of the concerned organizations and deposit in the account of the Consumers and Producers Protection Organization.

D. The Consumers and Producers Protection Organization is responsible for determining the amount paid to every organization and also the amounts used and returned, separated by every year and announce them to the Planning and Budget and Economic Affairs and Finance Committees of the Majles through the Plan and Budget Organization and also to the Ministry of economic Affairs and Finance by the end of Khordad 1373 [21 Jun 1994].

E. Government organizations that receive the difference from the Consumers and Producers Protection Organization and receive the related funds in accordance with the general accounting law of the country and other legal cases shall be responsible for spending the related funds in accordance with the general accounting law of the country and other related regulations, unless they have particular financial bylaws, in which case they shall spend them accordingly.

F. The government shall be responsible for devising and announcing for 1372 the prices of agricultural and animal husbandry guaranteed products in a way that, in addition to the cost of the products and with consideration for the inflation index, a suitable profit will be gained that is harmonious with the economic activities in the industries and trade sector.

Note 6

A. Permission is granted for:

1) The amount of 86,250,000,000 rials from the funds of Lines 503002, Section 4, of this law to be allocated to necessary developmental operations of the deprived districts and villages in prosperous areas for use on specific projects as determined by the executive organization in the form of 100 percent allocation, based on the suggestion of the Office of the Affairs of the Deprived Regions of the country and the agreement of the president.

2) The amount of 30 billion rials from the funds in Line 503002, Section 4, of this law shall be distributed based on need for unanticipated and necessary miscellaneous developmental expenditures of provinces and developmental projects of rural and tribal regions, upon the suggestion of the Ministry of Interior, and the share of every province shall be allocated on the suggestion of the governor general or the executive organization and the approval of the planning committee of the province for specific projects.

3) The creation of any sort of commitment for the following years, and also the start of projects that cannot be operated by themselves with the amount of more than 350 billion rials from funds stated in Paragraphs 1 and 2 of this note, is prohibited.

4) The amount of 90 billion rials from the funds stated in Line 503002, Section 4, of this law shall be spent on the reconstruction of various regions of the country that have been damaged or will be damaged by unexpected incidents such as floods, earthquakes, droughts, fires, storms, and the advancement of sea water, and also in cases when it is necessary to prevent the occurrence of such incidents.

This fund shall be distributed, upon the suggestion of the Ministry of Interior, the endorsement of the Plan and Budget Organization, and the approval of the Cabinet, among the provinces that have suffered damages.

The Ministry of Interior may distribute from the funds of the credit facilities of the banking system up to 150 billion rials in loans among the owners of damaged residential, commercial, industrial, mining, and agricultural units.

The defense of profit and service charges of the facilities granted by the banks shall be included in the budget bills of future years.

B. The amount of 10 billion rials from the funds in Line 503001 (nonprojected expenditures), Section 4, of this law shall be placed at the disposal of the Ministry of Interior for the necessary expenditures of the provinces.

C. The Plan and Budget Organization and the Ministry of Interior shall be responsible for submitting a report on the operation of this note once every four months to the Accounting, Planning and Budget, and Councils and Internal Affairs Committees. Also, the governors general shall be responsible for reporting to the Majles once every four months on the operation of funds that are placed at the disposal of the provinces in the implementation of this note.

D. Lands that have been and will be transferred for the housing of the freed prisoners of war are exempt from the payments and costs of preparation. The Ministry of Housing and Urban Development shall pay the necessary expenditures by using the internal resources of the concerned companies, and if insufficient, with the approval of the Cabinet from the above-mentioned funds.

Note 7

A. The Technical and Vocational Training Organization and the Ministry of Labor and Social Affairs shall be permitted to spend up to 5 percent of the revenues stated in Article 14 of the vocational training law, up to a maximum of 1 billion rials, which will be collected from all industrial, production, and service units that are subject to the labor and social security laws to encourage and increase the productivity of the employees that play an effective role in achieving the goals of the organization and increasing government revenues.

Instructions for this paragraph shall be prepared upon the suggestion of the Technical and Vocational Training Organization and approved by the minister of labor and social affairs.

B. Up to the ceiling of 3 billion rials obtained from the implementation of Paragraph B of Article 38 of the law on the collection of some government revenues and their use for specific cases and people's aid in the interest-free loans to support job opportunities shall be transferred.

The implemental bylaws of this paragraph shall be prepared by the Ministry of Labor and Social Affairs and the Ministry of Economic Affairs and Finance and approved by the Cabinet.

Any employment, purchasing of buildings, or payment of expenditures of the Ministry of Labor and Social Affairs and affiliated organizations from the funds collected in Paragraph B of Article 38 of the above-mentioned law shall be prohibited and shall be regarded as illegal use of government property.

C. Up to the ceiling of 2 billion rials obtained from the revenues in Paragraph B of Article 38 of the law of collection of some government revenues and their use in specific cases shall be added for the construction and completion of the technical and vocational training centers stated in Project No. 31603265.

Note 8

A. The Ministry of Education is granted permission to distribute, pay, and include in the specific expenditures 1372 funds concerning the per capita expenditures of educational units affiliated with it in the capital and the provinces on the basis of the law concerning "the per capita expenditures of educational units affiliated with the Ministry of Education," ratified on 21/10/1360 [11 Jan 1982].

Inclusion of the personnel expenditures within the per capita expenditures of the above-mentioned units shall not be permissible.

B. Of the amount of 30 billion rials from the banking system sources, 50 percent in the form of interest-free loans and 50 percent other facilities with minimum banking service charges, two-thirds shall be placed at the disposal of the Union of Consumer Cooperative Companies of the Employees and Educators of the Ministry of Education as revolving capital and one-third will be given to other employee cooperatives, to strengthen the Employees and Educators Consumer Cooperatives of the Ministry of Education and other employee cooperatives.

C. The government is responsible for pledging and paying the difference in the service charges on interest-free and banking loans resulting from the implementation of the law on providing housing for educators, provided the regulations of the consumer model are observed with regard to the construction of housing and concerning loans that are paid in 1372.

D. All government companies and factories and those affiliated with institutions and organizations are responsible for using 2 percent of their gross profit of the previous year to provide for the educational space needed for the children of their personnel who are required to be educated or to build, develop, repair, and equip educational space and construct cultural centers, cinemas, and libraries needed by other strata throughout the country, directly or through the new school construction, development, and equipment organization of the country.

The amount resulting from the implementation of this paragraph shall be put at the disposal of the Ministry of Education and the Ministry of Islamic Guidance at a ratio of two-thirds and one-third, respectively.

The total expenditures that are made shall be deducted from the taxable income as a part of the acceptable expenditures of taxpayers upon the verification of the ministries of Education and Islamic Culture and Education.

E. All expenditures that are spent by philanthropic factual or legitimate persons and the private sector to participate in public benefit affairs under the supervision of concerned authorities on the creation of educational space, technical and vocational schools, and athletic facilities shall be considered acceptable tax expenditures and deducted from their taxable income.

Building of the above-mentioned spaces and their transfer to related authorities shall be exempt from the payment of any sort of tax.

Note 9

A. The amount of 368 billion rials from the funds in Line 503041, subject of Chart No. 1, stated in Section 9 of this law, shall be placed at the disposal of the Ministry of Defense and Armed Forces Logistics of the Islamic Republic of Iran to be spent on providing for the ratified needs of the Defense Forces of the Islamic Republic. These funds shall be allocated upon the request of the Ministry of Defense and Armed Forces Logistics of the Islamic Republic of Iran, the suggestion of the Plan and Budget Organization, and the approval of the Cabinet.

The payment of late debts of the Defense Forces of the Islamic Republic of Iran for water, electricity, fuel, communications, railroads, and other debts to city halls, the Imam Reza Foundation, and the Religious Endowment Organization, at least 33 billion rials from the funds in this paragraph shall be provided on the suggestion of the Plan and Budget Organization and the approval of the Cabinet.

B. The armed military and security forces are responsible for procuring their needed ammunition and military equipment from the Defense Industries and Electronics Industries Organization and the aviation industries, and only that part of the military equipment that cannot be produced in the country can be exclusively purchased from abroad by the Ministry of Defense and Armed Forces Logistics of the Islamic Republic of Iran.

C. Note 45 of the 1364 [21 Mar 1985-20 Mar 1986] national budget law, Note 47 of the 1359 national budget law, and all other laws and regulations contrary to the content of this note are hereby nullified.

D. Report on the method of use of funds concerning the purchase of all defense items from the funds in this note shall be prepared by the auditors selected by a committee comprised of the following members, with the cooperation of the Ministry of Defense and Armed Forces Logistics of the Islamic Republic of Iran, and placed at the disposal of the committee.

1) A member of the Defense Affairs Committee of the Majles selected by the Majles.

2) A member of the Planning and Budget Committee of the Majles selected by the Majles.

3) A member of the Accounting Committee of the Majles selected by the Majles.

4) The head of the National Accounting Court.

5) The deputy minister of defense and logistics of the Defense Forces of the Islamic Republic of Iran.

6) The deputy or fully authorized representative of the director of the Plan and Budget Organization.

The chairman of the committee shall be the deputy minister of defense and armed forces logistics and the deputies of the administrative office of the committee shall be conferred on the Ministry of Defense.

The first session of the committee shall be held at the latest by the end of Farvardin 1372 [20 Apr 1993], upon the invitation of the minister of defense and armed forces logistics of the Islamic Republic of Iran.

This committee shall be responsible for holding a meeting at least once a month and the meetings of the committee shall be official with at least the presence of two-thirds of the members. The results of the examination of the above-mentioned reports shall be submitted to the supreme leader, the president, and the speaker of the Majles by the committee. Investigations by this committee do not negate the duties and responsibilities of the National Accounting Office.

E. The Ministries of Defense and Armed Forces Logistics and Interior shall be responsible for presenting a report on the operation of this note once every six months through the Plan and Budget Organization to the Defense, Planning and Budget, Councils and Internal Affairs, and Accounting Committees of the Majles.

F. Financial sources needed for the developmental projects mentioned in Chart No. 2, Section 9, of this law shall be from the funds stated in this note.

G. Foreign purchases of major defense items shall be under the supervision of a committee comprised of the following members within the limits of the ratified funds:

1) Representative of the president.

2) Representative of the Central Headquarters of the Defense Forces of the Islamic Republic of Iran.

3) Representative of the minister of defense and armed forces logistics of the Islamic Republic of Iran.

4) Representative of the joint headquarters of the military of the Islamic Republic of Iran.

5) Representative of the joint headquarters of the Guard Corps of the Islamic Revolution of Iran.

Two representatives of the Planning and Budget and Defense Committees selected by the concerned committees, one representative of the Ministry of Foreign Affairs, and one representative of the Ministry of Information shall participate in the above-mentioned committee as observers. The chairman of the committee shall be the representative of the president and the duties

of the administrative office of the committee shall be conferred on the Ministry of Defense and Armed Forces Logistics.

The committee shall be formed by the end of Farvardin 1372 [20 Apr 1993], upon the invitation of the minister of defense.

The committee stated in this paragraph shall not be permitted to authorize foreign purchases that can be produced domestically. Also, the opening of documented funds for the above-mentioned purchases by the Central Bank of the Islamic Republic of Iran and other national banks is prohibited prior to verification of the committee stated in this paragraph.

H. The Plan and Budget Organization is granted permission to deduct at the end of every three months the equivalent of the value of the services presented by the railroads and the price of fuel, water, electricity, and communications used in the same year by the Defense Forces of the Islamic Republic of Iran, if not paid by the concerned organizations directly, from the funds of the concerned organization and pay same to the creditor organization. Also, the cost of fuel, water, electricity, communications, and repairs of organizational houses shall be paid by the user, and the expenditures of the units of the Defense Forces of the Islamic Republic of Iran that engage in for-profit tasks from the above-mentioned revenues.

I. The Defense Forces of the Islamic Republic of Iran are granted permission to use the amount of funds it saves in Chapter 1 of the budget by reducing personnel to strengthen the existing cadre or by coordination with the general headquarters of the Islamic Republic of Iran an the Plan and Budget Organization to transfer to other chapters. Any transfer of credit of the retirement funds of the military forces is prohibited.

J. In the implementation of Note 9 of the law of the First Economic, Social, and Cultural Development Plan, the Ministry of Defense and Armed Forces Logistics of the Islamic Republic of Iran is granted permission, with consideration for the expertise, abilities, and capacities of the forces under its supervision, to sign contractual agreements to carry out developmental plans and projects with the executive organizations of the country.

All collected funds from the above-mentioned contracts shall be deposited to the general revenue account and its equivalent up to a ceiling of 200 billion rials from the funds in Section 4 of this law. Lines 503148 and 5033149 shall be placed at the disposal of the contracting unit to carry out the related expenditures in accordance with the amount of the agreement.

The financial supervision stated in Article 90 of the general accounting law of the country concerning the above-mentioned funds is the responsibility of the minister of defense and armed forces logistics or the commander of the concerned force, and the authority and duties that in the above-mentioned law are conferred on the accountant shall be conferred on the person in charge of the financial affairs in the unit that is party to the agreement, who will be appointed to this position by decree of the commander of the force in the related unit and the Ministry of Defense.

Note 10

A. The amount of 5 billion rials in funds stated in Line 139026 is allocated to starting the operations of hospitals that are ready for operation throughout the country and the guarantee centers and hiring the needed cadre and, depending on the case, upon the Ministry of Health, Treatment and Medical Education, and the verification of the Plan and Budget Organization will be added to the ceiling of the current funds of the Medical Sciences Universities and colleges and regional health and treatment organizations of the provinces.

B. After the approval of the Cabinet, the Ministry of Health, Treatment and Medical Education is allowed, in order to start the operations of units stated in Paragraph A and the health and treatment centers of developed hospitals, to take steps to hire the needed cadre.

C. The equivalent of the obtained revenues of each Regional Health and Treatment Organization of the provinces subject to the law on the use of special revenues of the Ministry of Health, Treatment and Medical Education, ratified on 7/5/1365 [29 July 1986] by the Majles, and revenues obtained from special contracts subject to the law on providing treatment services of government employees, ratified on 27/12/1351 [18 Mar 1973], after being deposited in the treasury, shall be placed at the Regional Health and Treatment Organization of the related province from the special revenue funds, Line 129000, Section 4, of this law.

The implemental bylaws of this paragraph shall be jointly suggested within a maximum period of two months from the date of the ratification of this law by the Ministry of Health, Treatment and Medical Education and the Plan and Budget Organization and approved by the Cabinet.

D. The implemental bylaws of funds in Lines 129022 (Ministry of Health, Treatment and Medical Education and the Imam's Emergency Committee) and 129022 (Ministry of Health, Treatment and Medical Education, the Imam's Emergency Committee, the Martyr Raja'i Project), Section 4, of this law and also the bylaws to determine those eligible for the funds of the latter line shall be suggested by the end of this year by the Imam's Emergency Committee, verified by the Ministries of Health, Treatment and Medical Education and Economic Affairs and Finance, and the Plan and Budget Organization, and ratified by the Cabinet.

E. In order to increase cash and material aid to those who need aid and those eligible for the Martyr Raja'i Plan, the government is responsible, in addition to the funds included in Lines 129022 and 129023, for collecting 31 billion rials from the following funds, deposit them into

the treasury, and allocate the equivalent of the above-mentioned amount to the Imam's Emergency Committee.

1) From the collected funds of 100 rials for every kg of exported pistachios, up to a maximum of 5 billion rials.

2) From the collected funds, 2 rials from every imported cigarette in addition to fees that are collected in accordance with other regulations, up to a maximum of 26 billion rials.

F. The government shall be responsible for depositing all sums that it collects in accordance with Article 18 of the charter of the Red Crescent Society in the treasury and to place its equivalent, up to a ceiling of 41 billion rials, on a monthly basis at the disposal of the Society.

G. In order to expedite the completion of the operations and also improve the use of incomplete and operational noneducational hospitals, permission is granted, upon the suggestion of the Ministry of Health, Treatment and Medical Education and the approval of the Cabinet, to transfer the above-mentioned projects and units to qualified actual and legal persons.

Revenues from the implementation of this note shall be deposited in the general revenue account, Line 4228000, Section 3, of this law, and their equivalent shall be added from Line 503171, Section 4, of this law, upon the determination of the Ministry of Health, Treatment and Medical Education and the Plan and Budget Organization, to the ratified funds of hospital projects.

Note 11

A. The Central Bank of the Islamic Republic of Iran is responsible in 1372 for placing 20 billion rials in short-term banking facilities (maximum one year) in the form of loans at the disposal of the Urban and Rural Consumer Cooperative Organization to be used to provide goods for the people. The above-mentioned loan shall be paid in the first half of the year at most in four installments and settled one year after each payment.

B. In order to facilitate marriage, the Central Bank of the Islamic Republic of Iran shall be responsible for placing 200 billion rials from the interest-free loan sources of the banks in proportion to their interest-free deposits at the disposal of those married in 1371 and 1372.

The loan payment will be at least 1 million rials, and the period of repayment shall be three years.

The implemental bylaws of this paragraph shall be prepared by the Central Bank of the Islamic Republic of Iran within a period of one month and approved by the Cabinet.

Note 12

A. Permission shall be granted, in order to expedite the elimination of disputes concerning the buildings, facilities, and lands of ministries, government organizations, Islamic revolution institutions, and city halls that, in the past, based on needs and emergencies particular to the early years of the revolution and the imposed war, were occupied without the legal permission and agreement of the former occupant or with the permission of the former occupant and that are now needed by the former occupant, to form a committee under the charge of the director of the Plan and Budget Organization and in the presence of the ministers of housing and urban development and economic affairs and finance (or their deputies) and the ministers or highest executive officials of the independent organizations that are party to the dispute or their fully authorized representatives.

B. Opinions issued by the committee shall be binding for the executive organizations; however, if the above-mentioned opinions are not implemented within the determined period, for whatever reason, by the related executive organization, the Plan and Budget Organization shall be responsible for deducting the estimated amount of the property that is occupied on the suggestion of the committee, depending on the case, without obligation to observe the transferring restrictions in the current and developmental budget of 1372 of the above-mentioned organization, and to add to the budget of the involved executive organization.

C. The vacating of educational places and units at the disposal of the Ministry of Education is prohibited in 1372. The implementation of the law on the vacating of educational units ratified on 20/9/1371 [11 Dec 1992] by the Majles, with the omission of its Note 3 concerning the Ministry of Education and also the law on the obligation to vacate the buildings of the Ministries of Culture and Higher Education and Health, Treatment and Medical Education and their affiliated establishments and universities, ratified on 29/11/1368 [18 Feb 1990], and the law on the requirement not to vacate student dormitories, ratified on 16/7/1368 [8 Oct 1989], shall be mandatory.

D. Refugees of the imposed war, until the reconstruction of their original homes, shall be exempt from this note.

E. The implemental bylaws of this note shall be prepared within one month of the date of the ratification by the fixed members of the committee and approved by the Cabinet.

F. All buildings, facilities, and lands belonging to the former National Information and Security Organization shall be placed at the disposal of the Ministry of Information.

G. The vacating of health and treatment centers is prohibited.

Note 13

A. Prohibition against the purchase of cars stated in Note 63 of 1364 national budget is not mandatory for implementation in 1372, and purchasing domestically produced cars by government organizations with consideration for the supply resources shall be on the basis of the

bylaws to be proposed by the Ministry of Economic Affairs and Fiance and the approval of the Cabinet.

B. The Ministries of Roads and Transport, Agriculture, and Construction Jihad, in order to procure the machinery and equipment needed to carry out projects and heavy transportation vessels, are eligible for the single article of the law of creating facilities to expedite the procurement of goods needed by the Ministry of Energy, ratified on 30/3/1368 [20 Jun 1989] by the Majles.

Note 14

The determined factors in Article 10 of the law on "collecting some of the government revenues and using them on special cases," stated in Article 5 of the law on the collection of fixed taxes on some goods and services ratified on 26/3/1366 [13 Jun 1987], concerning the right to register orders for imported goods, shall be changed in 1372 as follows.

For every dollar, or its equivalent in cases of other foreign currencies, 5 rials will be set for essential goods and 20 rials for other goods.

Note 15

Permission is granted for up to a maximum of 25 percent of the total developmental funds and 15 percent of the total currency funds in this law, spent on the suggestion of the Plan and Budget Organization and the approval of the Cabinet without obligation to observe the general accounting law of the country and other general government regulations, and by observing the law of the procedure, to spend the funds that according to the law are exempted from the general accounting law and other general government regulations.

Note 16

A. At least 10 percent of the amount of 80 billion rials in funds stated in Line 503079, Section 4, of this law shall be allocated for new small projects and the completion of incomplete provincial projects that are provided in tribal areas, deprived districts, deprived villages, and in prosperous districts; at least 30 percent in other districts and villages; at least 50 percent by the people (including cash and material, portable and stationary, and manpower) and in cities. The funds for every province shall be distributed, upon the suggestion of the governor general or the head of the executive organization and with the approval of the planning committee of the province, among the above-mentioned plans and projects.

2) [as published] A maximum of 30 percent of funds in this paragraph shall be spent in cities and at least 70 percent in the villages and tribal regions. Funds that are paid for voluntary self-help and participation in carrying out the developmental projects stated in this paragraph shall be deducted from the taxable income of taxpayers.

3) From the funds stated in this note, the start of projects that are not operational by themselves or require more than 350 million rials in expenditures are prohibited. The above-mentioned projects shall be determined and approved by the planning committee of the province.

C. [as published] The Plan and Budget Organization shall be responsible for submitting a report to the Planning and Budget Committee of the Majls on the operations of this note once every four months.

D. Permission is granted to place the amount of 10 billion rials of the funds in Line 503156 Section 4, of this law at the disposal of the highest authority of the executive organization to be allocated to the completion of incomplete educational spaces that have been built by charitable persons and with their participation as well as provincial projects that are under way.

The implemental bylaws of this note shall be proposed by the Plan and Budget Organization and approved by the Cabinet.

E. The collection of any sort of fund by force under the heading of self-help and the like is prohibited and subject to prosecution.

Note 17

A. The amount of 18 billion rials in current funds and 15 billion rials in developmental funds stated in Line 503072 (funds needed by universities and higher education and research institution aid), Section4, of this law shall be determined on the suggestion of the boards of directors of universities and higher education and research institutions and the verification of the Ministry of Culture and Higher Education and the Plan and Budget Organization and added to the ceiling of the funds ratified for each of the above-mentoned institutions and can be used as follows:

1) Of the funds for the development of master's degree and doctoral-level programs in universities and higher education and research institutions, 25 percent.

2) Of the current funds for carrying out Noes 46 and 47 of the law on the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, 10 percent.

3) Of the current funds for supporting the research affairs of universities and higher educationand research institutions, 10 percent.

4) The remainder of the current funds for the deficit of the expenditures of universities and highr education and research institutions.

5) The amount of 12 billion rials from the developmental funds only to make up for the shortage of funds for the current year of the projects under way (stated in Attachment No. 1 of the law) and the amount of 3billion rials, the remainder of the developmental funds, for essential repairs to buildings and facilities of the universities and higher education and research institutions.

6) The amount of 1.5 billion rials in current funds will be allocated to the Payam-e Nur University and 1.5 billion rials to the Iman Khomeyni International University.

B. The amount of 6 billion rials in current funds and the amount of 11 billion rials of the developmental funds stated in Line 503104, Section 4, of this law, concerning the funds needed by the Medical Sciences Universities and colleges in aid, shall be determined upon the suggestion of the boards of directors of the universities and, with the verification of the Ministry of Health, Treatment and Medical Education and the Plan and Budget Organization, added to the ceiling of the ratified ceiling of funds for each university and used as follows:

1) Of the current funds for the implementation of Notes 46 and 47 of the law of the First Economic, Social and Cultural Developmental Plan of the Islamic Republic of Iran, 15 percent.

2) Of the current funds to develop doctoral and postdoctoral programs in Medical Sciences Universities and colleges, 10 percent.

3) The remainder of the current funds for the deficit of the expenditures of Medical Sciences Universities and colleges.

4) The amount of 8 billion rials from the developmental funds to compensate for the shortage of funds this year for projects under way (stated in Attachment No. 9 of the law) and the amount of 3 billion rials, the remainder of the developmental funds, for essential repairs of buildings and facilities of the Medical Sciences Universities and colleges.

C. In order to eliminate the shortages and problems of student dormitories, the Central Bank of the Islamic Republic of Iran shall be responsible for placing the funds needed, at most up to the following amounts through the banking system of the country in the form of interest-free or partnership loans an other Islamic contracts without using general government funds, at the disposal of the ministries and the Voice and Vision of the Islamic Republic of Iran as follows. If any of the above-mentioned ministries or organizations do not absorb the facilities, with the agreement of the Plan and Budget Organization, they can be used by any other ministry. The repayment of the above-mentioned loan installments shall be guaranteed by the government.

1) The amount of 25 billion rials for the completion and construction of student dormitories and the amount of 10 billion rials for purchasing buildings and converting them to student dormitories at the disposal of the Ministry of Culture and Higher Education.

2) The amount of 15 billion rials for the completion and construction of student dormitories and the amount of 7 billion rials for purchasing buildings and converting them to student dormitories at the disposal of the Ministry of Health, Treatment and Medical Education.

3) The amount of 5 billion rials for the completion and construction of student dormitories and the amount of 2.5 billion rials for purchasing buildings and converting them to student dormitories at the disposal of the Ministry of Education.

4) The amount of 6.65 billion rials for the completion and construction of student dormitories or purchasing and converting them to student dormitories in proportion to the student capacity and need of each at the disposal of the Ministry of Islamic Culture and Guidance and the Voice and Vision of the Islamic Republic of Iran.

5) The amount of 10 billion rials in loans, with the use of banking facilities to aid students of universities and higher education institutions of the Ministries of Culture and Higher Education and Health, Treatment and Medical Education, will be placed at the disposal of the Student Welfare Fund, to be repaid after graduation.

D. All executive organizations that make use of the current and developmental budget for research are responsible for spening at least 15 percent of the abovementioned funds through universities and higher education institutions affiliated with the Ministry of Culture and Higher Education, the Ministry of Health, Treatment and Medical Education, and the University Jihad.

Supervision over the proper implementation of this paragraph is the responsibility of the concerned executive organization. The organizations that are exempt from the contents of this paragraph will be determined by the Cabinet.

E. The university projects under the lines of the Ministry of Housing and Urban Development, the Ministry of Culture and Higher Education, and the Ministry of Health, Treatment and Medical Education are eligible for legal facilities to implement the developmental projects of the universities of the Ministry of Culture and Higher Education and the Ministry of Health, Treatment and Medical Education.

Note 18

The 1372 funds in the contracts of the national and provincial developmental projects stated in Attachment No. 1 of this law can be increased as follows, at most up to 25 percent, except for the projects stated in Paragraph C of this note.

A. From the source of the reduction of funds of other developmental projects in every program, upon the suggestion and verification of the highest authority of the related executive organization and the agreement of the Plan and Budget Organization or the Plan and Budget Organization of the province, as the case may be.

B. From the source of the reduction of funds of projects of other programs of the same section, based on the suggestion and verification of the highest authority of the

executive organization or organizations and the agreement of the Plan and Budget Organization, provided the decrease or increase in the total funds of each program does not exceed 10 percent.

C. The increase in funds of projects stated in Section 2 of Attachment No. 1 of this law, which have been identified as important projects or those that will be completed in 1372, is permitted, at most up to the level of next year's funds, and projects whose completion has been specified in 1373 [21 Mar 1994-20 Mar 1995], as well as projects stated in Note 16 of this law and funds related to the reconstruction of regions damaged by unexpected incidents, without obligation to observe the restrictions stated in Paragraphs A and B, at most up to 400 billion rials, from the source of reduction of other national projects on the suggestion of the Plan and Budget Organization and the approval of the Cabinet. At least 30 percent of the above-mentioned funds must be allocated to the projects in the section on water.

D. The increase in the funds of provincial developmental projects in every section shall be permissible from the source of reduction of funds of other sections, up to 5 percent, observing the contents of Paragraphs A and B of this note and its surplus only once a year, upon the suggestion of the related executive organization and the agreement of the planning committee of the province.

E. Any sort of reduction in the provincial and national funds of the deprived districts and deprived villages located in the prosperous districts and the rural and tribal funds and also the reduction of funds of each important and major project that will be completed in 1372, stated in Attachment No. 1 of this law, is prohibited.

Note 19

A. Permission is granted for the funds stated in Line 105004, Section 4, of this law, under the heading of "the Ministry of Interior in City Halls," to be distributed upon the suggestion of the Ministry of Interior, the agreement of the Plan and Budget Organization, and the approval of the Cabinet among the City Halls of the country. The funds stated in this paragraph shall only be spent on the expenditures of the cities with populations under 100,000 that are not the center of a province, with the exception of the cities of Zahedan, Yasuj, Bushehr, Shahr-e Kord, and Ilam.

B. The funds in Lines 503006 and 503007, Section 4, of this law shall be allocated to the Vahed Bus and Minibus Companies affiliated with the City Halls and upon the suggestion of the Ministry of Interior the share of each of the Vahed Bus and Minibus Companies and the Vahed Bus Companies affiliated with the City Halls shall be allocated from the funds of the above lines.

At most only 50 percent of the funds of Lines 503006 and 503007 shall go toward bussing in the cities of Tehran, Mashhad, Shiraz, Esfahan, and Shiraz and the remainder distributed to other cities in the country.

C. The central treasury is responsible for placing those funds collected in accordance with related laws and regulations by ministries, government institutions, and government companies in the name of City Halls and accrue in the accounts of the central treasury at the disposal of the Ministry of Interior in the City Halls organizations, in order to provide self-sufficiency and distribution between City Halls.

D. At most up to the amount of 1.5 billion rials from the source of revenues obtained from the implementation of Note 46 of the 1364 budget law shall be placed at the disposal of the Ministry of Interior in order to be distributed among the cities located in the deprived districts and spent on providing fundamental facilities in these cities.

The Ministry of Interior is responsible for reporting on the operations stated in this note once every four months to the Plan and Budget Organization and the Planning and Budget, Councils, and Internal Affairs and Accounting Committees of the Majles.

E. The amount of 3 billion rials in funds from the source of funds in Line 503145, Section 4, of this law will be placed at the disposal of the Ministry of Interior to be distributed for necessary developmental operations and fundamental services of needy City Halls.

Note 20

A. The executive organizations and the Plan and Budget Organization are responsible, at the latest by the end of Esfand 1371 [20 Mar 1993], for exchanging the agreements on the details of the activities concerning the current funds stated in Sections 4 and 5 of this law.

B. The increase in the current funds of each of the programs and expenditure sections of the ministries and government institutions stated in Section 4 of this law and local executive organizations stated in the agreements of the details of the activities in Paragraph A of this note shall be permissible from the source of the reduction of other programs and expenditure sections of the related organization, provided no change occurs in the total current funds of that organization, for the first sector at most up to 5 percent and in other sectors up to 20 percent, upon the suggestion of the highest authority of the executive organization and the verification of the Plan and Budget Organization or the Plan and Budget Organization of the province, depending on the case.

C. The transfer of current funds between local executive organizations that are subject to the provincial budget system stated in section 5 of this slaw is permissible upon the suggestion of the local executive organizations and the approval of the Plan and Budget Organization of the province, at one time concerning each province up to a maximum of 5 percent of the ratified funds of each local executive organization, only once in the year while observing the restriction of 20 percent stated in Paragraph B of this note, provided no change results in the total current funds of the province.

D. The central executive organizations are granted permission to allocate in necessary cases at most up to 10 percent of their current ratified funds to the affiliated departments in the provinces that are subject to the provincial budget system, and in this case the related funds in each case shall be deducted from the budget of the above-mentioned executive organization, upon the suggestion of the minister or highest authority of the related central executive organization by the Plan and Budget Organization and in accordance with the schedule and the expenditure sectors added to the current funds of the local executive organization.

[21 Dec p 15]

[Text]

Part II

Economic Division. Previous issues published the single article and Notes 1-20 of the 1372 [21 Mar 1993-20 Mar 1994] budget bill, which involve funds for defense, development, higher education institutions, and deprived regions and the expenditures for educational units, government companies, and banks that were proposed by the government to the Majles. In this issue, the second part of the budget bill is provided for our honorable readers.

Note 21

A. Executive organizations, including universities and educational institutions, are responsible for sending the exchange of agreements on the details of the operations concerning the new developmental projects stated in Attachment No. 1 of this law to the Plan and Budget Organization before the end of Esfand 1371 [20 Mar 1993], and the Plan and Budget Organization must also announce the above-mentioned agreements by the end of 1371 [20 Mar 1993].

B. In order to expedite the progress of developmental, national, and provincial projects and facilitate the related payments, permission is granted to:

1) The Ministry of Economic Affairs and Finance to transfer the revolving funds equivalent to 10 percent of the funds of each of the developmental projects to each national and provincial executive organization to be used on the basis of the allocation of funds.

The above-mentioned revolving funds must be deposited by the end of 1372 [20 Mar 1994].

2) Two deputies selected by the Majles shall take part as observers in the credit allocation committee stated in Article 30 of the national plan and budget law.

3) In order to start the operation of factories that produce construction equipment and materials and create seasonal coordination with regard to the supply and demand of construction equipment and materials, up to 15 percent from the ratified funds for national developmental projects and 20 percent of the ratified funds for the provincial developmental projects of 1372 shall be allocated to purchasing the construction equipment and materials, spare parts, and workshop machinery needed for the projects, and the executive organizations, as the case may be, are responsible, after the delivery of purchased goods and materials to the workshops, for including their cost in the final expenditure account and remove from their status lists the projects that are carried out by contractors. If the purchases concern contracted materials in the agreements, they will be deducted at the level to be anticipated in the bylaws of the note from the status list of the contractor, and the difference shall be included in the final expenditures of the project.

The implemental bylaws of this paragraph shall be prepared within a period of one month from the date of the ratification of this law by the Plan and Budget Organization and the Ministry of Economic Affairs and Finance and approved by the Cabinet.

C. Current and developmental funds ratified for every province shall be allocated to the province as divided by the Fund Allocation Committee at determined times in order for the Fund Allocation Committee of the province, comprised of the developmental deputy of the governor general, the director general of economic affairs and finance, and the director of the Plan and Budget Organization of the Province, to allocate with consideration for the progress of the operations, as the case may be.

The Fund Allocation Committees stated in this paragraph are responsible for allocating the fourth three-month developmental funds of the provinces of Kurdistan and West Azarbaijan and the deprived districts and deprived villages located in the prosperous and cold-climate districts of the country and their national projects at the latest by 1 Aban [23 Oct].

D. Of the total funds of the national projects of every organization, 5 percent shall be placed at the disposal of the minister or the highest authority of the executive organization, to be guaranteed and paid as necessary on the basis of the progress of the operations of the related projects within the framework of the details of the operations of the exchanged agreements.

E. All funds related to the deprived districts and deprived villages in prosperous districts shall be allocated with priority over other funds.

F. Supervision over all expenditures of the funds of deprived districts and villages shall be the responsibility of the Presidential Office of the Affairs of the Deprived Regions of the Country. Reports on the operation of these funds shall be sent once every four months by the Special Committee of the Governors General on the Affairs of the Deprived Regions to the Presidential Office of the Affairs of the Deprived Regions of the Country. The Presidential Office of the Affairs of the Deprived Regions of the Country shall be responsible for sending a report to the Majles and the deputies of

deprived districts and villages once every four months on the operation of the funds and projects to eliminate deprivation.

Note 22

A. Permission is granted to add the shortfall of developmental funds stated in Attachment No. 1 of this law and the construction and other projects funded from the general revenues, the shortfall of current funds of the executive organizations, as well as the shortfall of the current funds of companies that receive aid from the general budget and investments of government companies, due to the government economic modification policies, upon the suggestion of the Plan and Budget Organization and the approval of the Cabinet, from the funds in Line 503145, Section 4, of this law to the related funds.

B. At most, 10 percent of the funds in this note are allocated to providing for the shortfall of the funds of nongovernment public institutions and establishments, resulting from the modification policies, upon the suggestion of the Plan and Budget Organization and the approval of the Cabinet, on the basis of agreements exchanged with the Plan and Budget Organization.

Note 23

To maintain and preserve buildings of cultural value, in every province a committee comprised of the developmental deputy of the governor general, the director of the Plan and Budget Organization, the director general of housing and urban development, the director general of Islamic culture and guidance, the operating organization, and the representative of the National Cultural Heritage Organization will be formed that may compare the existing projects reflected in the 1372 budget law with the existing buildings of cultural value and spend the related projected budgets in the 1372 budget law, under the supervision of the National Cultural Heritage Organization, on purchasing, repairing, equipping, and making operational the objectives of the budget.

In regards to national developmental projects, the above-mentioned projects will be comprised of the representatives of the related unit in the Plan and Budget Organization, the Ministry of Housing and Urban Development, the Ministry of Islamic Culture and Guidance, the National Cultural Heritage Organization, and the operating organization. This committee may announce its suggestions concerning the provincial projects to any of the related committees.

The Ministry of Housing and Urban Development, based on the opinion of the committee stated in this note, shall take steps to provide the land in exchange for facilitating the possessions of the property stated in this note.

Note 24

A. The planning committee of the province, with the agreement of the executive organization, may transfer the implemental operations of all or some of the projects of each of the provincial plans to each one of them after the announcement of the readiness for implementation of the executive organizations or the technical and engineering units of the military forces or the Ministry of Defense and Armed Forces Logistics and the Housing Foundation.

B. The directors or executive organizations may, as they determine themselves and on their own responsibility, transfer the implemental operations of all or some of the projects of each of the national developmental plans, with consideration for the capacity and competence of implementation, to the Ministry of Construction Jihad, or the technical and engineering units of the military forces, or the Ministry of Defense and Armed Forces Logistics and the Housing Foundation, after the signing of agreements, so that each may take steps to complete the project under the supervision of the executive organization and, if agreed, to use the transferred funds.

The difference between the final expenditures and the funds received for the projects or transferred projects shall be spent from the funds of this note in the same related program or the drinking water procurement program.

C. The Ministry of Interior may, upon its own determination and responsibility, transfer all or some of the projects of each of the developmental projects of Lines 11102254 (construction of guard station and security facilities on the borders) and 40902261 (building and improving border roads), with consideration for the capacity and competence for implementation, to the Ministries of Roads and Transports and Construction Jihad, the military and law enforcement forces, and the Housing Foundation.

D. The Ministry of Construction Jihad is responsible by the end of the Five-Year Plan to gradually make arrangements to employ its forces and resources for the original duties of this ministry, as stated in the law on the division of duties of the Ministries of Agriculture and Construction Jihad.

Note 25

A. Permission is granted to allocate all the special profits concerning the 1372 budget of the regional electricity companies, Tavanir, the Iranian Electricity Organization, and the Khuzestan Water and Electricity Organization, with the approval of the general assembly of the above-mentioned companies, in order to expedite and facilitate the implementation of the fundamental projects to produce and transmit energy in carrying out the investment expenditures of the above-mentioned companies. The funds resulting from this note and Note 31 of the 1366 [21 Mar 1987-20 Mar 1988] budget law shall be paid directly, under the supervision of the

Ministry of Energy, without calculating in the revenues of the above-mentioned companies, through the account of the funds of the Iranian Electricity Organization or the Tavanir Company, as announced by the Ministry of Energy, on the basis of the ratified budget of the above-mentioned companies and the exchange of agreements on the details of operations with the Plan and Budget Organization, in adherence with the contents of Article 17 of the national plan and budget law, to the projects for the production and transfer of energy. The Plan and Budget Organization is responsible for operational supervision over the implementation of the investment expenditures of these companies, and the above-mentioned companies are responsible for placing any required information or document at the disposal of the Plan and Budget Organization.

The invested funds of every company shall be included from the funds in this note and the above-mentioned notes and Note 30 of the 1368 [21 Mar -20 Mar 1990] budget law in the account for the increase in government investment in that company.

Note 26

A. The Ministry of Petroleum is granted permission, in order to provide the necessary financial resources for foreign currency and rial expenditures, to procure petroleum products needed from abroad and transport them to the entry points of the country. It will export from the country 190,000 barrels of crude oil from the National Iranian Oil Company for sale and deposit the foreign currency funds in the account of the Central Bank of the Islamic Republic of Iran, to be included in the foreign reserve account stated in Chart No. 1, Section 11, and its equivalent in rials in the general revenues of the country stated in Line 210102, Section 3, of this law.

The Plan and Budget Organization shall oversee the proper implementation of this paragraph.

B. The rial funds stated in Line 220001 (National Iranian Oil Company, for providing petroleum products needed in the country, aid), Section 4, of this law shall be considered allocated on the basis of the schedule of the implementation of this note, to be proposed by the Ministry of Petroleum and approved by the Cabinet.

C. The Ministry of Economic Affairs and Finance is responsible for placing the rial equivalent of the foreign currency from the export of 190,000 barrels of crude oil per day, as stated in Paragraph A of this note, from the funds in Line 220001, on the basis of the ratification of Paragraph B and the request of the National Iranian Oil Company, at the disposal of the above-mentioned company. Also, the Central Bank of the Islamic Republic of Iran is obliged to sell to the National Iranian Oil Company the needed foreign currency for the expenditures stated in this note, equivalent to the foreign currency funds obtained from the export of up to 190,000 barrels of crude oil per day. The Ministry of Petroleum is obliged to announce by the end of Esfand 1371 [20 Mar 1993] the domestic production program for the import of all sorts of products, along with the necessary foreign currency share for the import of each one of them, to the Economic Council. The Central Bank of the Islamic Republic of Iran is responsible for allocating this share, at a ceiling of 190,000 barrels of crude oil per day. If as a result of the fluctuations in the price of oil the projected foreign currency is not sufficient to provide 190,000 barrels per day, the Central Bank of the Islamic Republic of Iran is granted permission to take steps to make up for the deficit, up to the ceiling equivalent of its foreign currency.

D. The National Iranian Oil Company is obliged to accumulate the rial and foreign currency funds collected from the funds stated in Paragraph C of this note in separate accounts that it will open in the Central Bank of the Islamic Republic of Iran, spend it in accordance with the content of Paragraph A exclusively for uses stated in the above-mentioned paragraph, and return the remaining guaranteed and unused funds of the above-mentioned rial and foreign currency accounts at the end of 1372 by the end of Farvardin 1373 [20 Apr 1995] to the General Treasury and the Central Bank of the Islamic Republic of Iran, respectively.

E. If the National Iranian Oil Company, on the basis of necessity rather than selling, should refine part of the 190,000 barrels of exported oil per day stated in Paragraph A of this note, abroad and import the obtained products, it must announce the amount of refined oil to the Treasury at the end of every month. Up to the equivalent of the price of the above-mentioned oil, which will be calculated according to the foreign currency and rial value of the projected sale of oil, in this law shall be, on the one hand, included in the general revenue account of the country stated in Line 210102, Section 3, and, on the other, in the payment accounts for funds in Line 220001, Section 4, of this law.

F. The Ministry of Petroleum is obliged to present a report on the operation of this note once every three months to the Petroleum, Planning and Budget, and Accounting Committees of the Majles and the Plan and Budget Organization.

G. The amount of 100 billion rials from the banking facilities shall be placed at the disposal of the National Iranian Natural Gas Company, with regard to Note 2 of this law, to expand the natural gas outreach network to residences.

Note 27

Permission is granted to allocate all the special profits for 1372 of the National Iranian Oil Company, the National Iranian Natural Gas Company, the National Iranian Petrochemical Industries Company, and their affiliated companies, with the approval of the general assemblies of the National Oil Company, the Natural Gas Company, and the Petrochemical Industries Company, in order to expedite and facilitate the implementation of the fundamental plans and projects in the oil, natural gas, and petrochemical sector to carry out the

investment expenditures of the projects of the above-mentioned companies, after the exchange of agreements on the details of operations with the Plan and Budget Organization.

The Plan and Budget Organization is obliged to impose operational supervision over the implementation of the investment expenditures of the company, and the above-mentioned companies are obliged to place any sort of information and documentation needed at the disposal of the Plan and Budget Organization.

The extraction of oil from the Karanj and Pars reservoirs, up to the completion of the natural gas injection operations, is prohibited. The extraction of oil from the above-mentioned reservoirs, after the start of the natural gas injection projects and the application of pressure in those reservoirs, is permissible.

The above-mentioned companies are obliged to present a list of the developmental plans and projects that are or will be started from the funds in this note through the Ministry of Petroleum to the Planning and Budget, Oil, and Accounting Committees of the Majles.

Note 28

Permission is granted for the equivalent of 50 percent of the value of the properties that the Ministry of Information obtains in connection with carrying out its legal assignments, and that is included in the general revenue account of the country in the General Treasury, as stated in Line 210108, Section 3, of this law, at most equivalent to 5 billion rials, with regard to the law on the establishment of the Organization for the Collection and Sale of Confiscated Property and its charter, from the funds in Line 102101, Section 4, of this law, to be placed at the disposal of the above-mentioned ministry.

Note 29

[A.] The Central Bank of the Islamic Republic of Iran is obliged, in order to regulate the foreign currency commitments of the country and balance the foreign currency payment balance sheet in 1372, to observe the following regulations within the framework of the monetary and banking law of the country and the monetary and foreign currency policies in creating foreign currency commitments and meeting prior commitments. All ministries, institutions, organizations, and affiliated companies, and that group of establishments and companies whose name must be mentioned to be subject to the laws and regulations, are subject to these regulations.

1) In the implementation of Paragraph D of Article 1 of the monetary and banking law of the country, the exchange rate of the rial with other foreign currencies shall be calculated from the beginning of 1372 on the basis of supply and demand with regard to foreign currency and determined on a daily basis by the Central Bank of the Islamic Republic of Iran.

2) From the 1372 revenues, the following amounts, at the rate of 1 rial equivalent to a 1.0108 [rial] special withdrawal fee, are allocated, on the basis of the obtained revenues, related regulations, and the approval of the Economic Council, with the exception of Paragraph A, and guaranteed and shall be paid for specific uses.

2.1) At most up to $850 million for strengthening the defensive capability of the country.

2.2) The amount of $1.3 billion for the procurement of essential goods, including wheat, red meat, sugar cubes and sugar, rice, shortening, and cheese.

2.3) At most up to $388 million at the disposal of the Ministry of Health, Treatment and Medical Education to procure raw materials for medicine for domestic production and the import of some of the drugs needed in the country as well as powdered milk.

2.4) The equivalent of $1,179,000 for the procurement of petroleum products, based on the content of Note 26 of this bill.

3) The executive organizations stated in Paragraph 2 are obliged to exchange agreements with the Plan and Budget Organization and are responsible for presenting a report on the operation procedures of the allocated foreign currency amounts once every three months to the Plan and Budget Organization and the Central Bank.

4) Meeting the previous foreign currency commitments of the country at any time shall take precedence over the creation of new foreign currency commitments.

5) The purchasing of investment goods and services of the organizations included in this note may be carried out according to the case with the use of the mid-term and long-term credit commitments, within the limitations of the 1372 funds.

6) The purchase and sale of foreign currency by the Central Bank must be such that at the end of 1372 the total commitments resulting from the operations of the current account and investment account in the previous years are not increased and the foreign currency reserves of the country at the end of 1372 will not be less than the foreign currency reserves at the beginning of 1372.

7) The Ministry of Petroleum and all its affiliated companies and organizations as well as all companies and establishments stated in Articles 4 and 5 of the general accounting law as well as all importers that use the general budget sources and the exporters and executive organizations subject to this law are obliged to carry out all the foreign currency operations and transactions resulting from the export or import of goods and services, including their collection and payments, exclusively through the Central Bank of the Islamic Republic of Iran or banks that are given permission by the Central Bank of the Islamic Republic of Iran. All exceptions shall be made with the verification of the Central Bank.

8) The Ministry of Petroleum is obliged to prepare a monthly report on the production and sale of crude oil and the obtained revenues, to collect $127,932.5 million in foreign currency revenues resulting from the export of oil along with the projection of production and export of oil for the remainder of the year, divided by month, by the 10th day of the following month and present it to the Plan and Budget Organization, the Central Bank, the Ministry of Economic Affairs and Finance, and the Oil, Planning and Budget, and Economic Affairs and Finance Committees of the Majles.

9) The Central Bank of the Islamic Republic of Iran is obliged to pay or guarantee the foreign currency payments to the organizations subject to this note that use the general budget exclusively in return for the receipt of positive documents and evidence indicating purchases of goods or services. Should the nature of the expenditure not allow the presentation of documents prior to the creation of a commitment or payment, the concerned organization shall be responsible for submitting, within a maximum period of three months from the date of payment or commitment, the needed documents and evidence to the bank, unless the necessary cases are approved by the Cabinet.

10) All organizations subject to this note are obliged to carry out and sign any sort of foreign transaction or contract that exceeds 75 billion rials only through limited or international bidding (announcement of the bidding in high-circulation domestic or foreign newspapers).

All exceptions must be approved by the Economic Council. The Central Bank of the Islamic Republic of Iran is only permitted to create commitments or make payments for transactions and contracts for which the necessary documentation, based on the contents of this paragraph, are presented by the executive organization. Long-term contracts between arms companies and purchases are exempted from this paragraph.

11) Two deputies of the Majles selected by the Majles shall oversee the purchasing of the essential goods mentioned in Paragraph 2 of this note.

12) Industrial projects with agreements in principle may use the mid-term and long-term foreign currency credit facilities by repaying the daily rate through the national banking system.

13) The government is permitted to amend and change the projects stated in Paragraph D of Note 29 of the first Five-Year Plan, Paragraph 15 of Note 29 of the 1368 national budget law, Paragraph 12 of Note 29 of the 1369 [21 Mar 1990-20 Mar 1991] national budget law, and Paragraph 30 of Note 29 of the 1370 [21 Mar 1991-20 Mar 1992] national budget law or replace them with new projects. The replacement of projects is permissible one time only.

B. From the funds in Paragraph K of Note 29 of the First Economic, Social and Cultural Development Plan law of the Islamic Republic of Iran, the National Iranian Oil Company is granted permission to create commitments up to a net amount of $2.6 billion to create, develop, and reconstruct the following detailed units through signing agreements with qualified foreign companies in a way that the repayment of the installments to each unit is taken from the export of the production of the same unit:

Project to complete the Bandar 'Abbas refinery.
Building the oil manufacturing unit of the Bandar 'Abbas refinery.
Building the liquid natural gas manufacturing of Bandar 'Asluyeh.
Development of the Balal and Siri oil fields.
Reconstruction and renovation of the Abuzar, Sorush, and Behkansar oil fields.

The Plan and Budget Organization is obliged to supervise the operations of the above-mentioned investment expenditures, and the National Iranian Oil Company is obliged to place the needed information and documents at the disposal of the Plan and Budget Organization.

C. The government is permitted, considering the foreign currency policies, to determine and collect the collectable amounts in government fees stated in the implemental bylaws of Note 56 of the 1352 [21 Mar 1973-20 Mar 1974] amendment budget law and the 1353 [21 Mar 1974-20 Mar 1975] national budget in rials in a way that would not change their foreign currency level in 1372.

Note 30

A. The Reconstruction and Renovation Headquarters of the War-Stricken Regions of the Country is obliged to sell its surplus and unused residential and commercial units (including those built or purchased), lands, production workshops, shares, and movable and immovable properties of companies under its supervision, machinery, tools, property, and vehicles, and to deposit the funds resulting from the sale in the Treasury, to be included in the general revenue account of the country stated in Line 390600, Section 3, of the 1372 national budget law.

The refugees of the imposed war and employees of the reconstruction headquarters will be given priority to purchase such government resources.

B. The funds in Line 105101, Section 4, of the 1371 national budget law, equivalent to 100 percent of the collected revenues stated in Note 1 of this law, up to a ceiling of 3 billion rials, shall be placed at the disposal of the Reconstruction Headquarters to be used in connection with achieving the goals of reconstruction, for the return, settlement, and employment of refugees and the building of basic housing for families without guardians and disabled families of the refugees of the imposed war in areas damaged by the imposed war and the insurance fees and compensation for the end of service of the surplus employees.

C. The sale of units stated in Paragraph A in the following cases shall be carried out at the official specialist cost.

1) Settlement in rural and agricultural regions and the villagers and farmers of the same area.

2) The purchaser should be a refugee of the imposed war or an employee of the Reconstruction and Renovation Headquarters of the War-Stricken Regions of the Country.

3) Building the structures that belong to the Reconstruction Headquarters while the land belongs to actual or legal persons, to the owner of the land.

4) The sale to government organizations, establishments, companies, and educational establishments, both governmental and nongovernmental, and nongovernmental public institutions.

D. The implemental bylaws of this note shall be proposed by the Reconstruction Headquarters of the War-Stricken Regions, verified by the Ministry of Economic Affairs and Finance and the Plan and Budget Organization, and approved by the Cabinet.

Note 31

A. The developmental funds for the reconstruction of war-stricken regions stated in Section 3.C. of Attachment No. 1 of this law, in accordance with the section of the plan, shall be proposed by the reconstruction headquarters of the province, verified by the Plan and Budget Organization of the province, and divided among the plans and projects of the executive organizations of the province in order to be used after the exchange of agreements with the Plan and Budget Organizations of the Province.

B. The amount of 28 billion rials in developmental funds stated in Line 503041, Section 4, of this law may be used to compensate for the damages of those who suffered lossed because of the war and also to pay the profit and service fees on loans granted in this connection.

The implemental bylaws of this paragraph shall be proposed within the period of one month from the date of the ratification of this law jointly by the Reconstruction Headquarters and the Plan and Budget Organization and approved by the Cabinet.

Note 32

The cost of adjudication stated in Article 86 of the civil adjudication law on movable property, if the demanded amount is less than the regional price, shall be based on the regional price, and if it is more than the regional price, it shall be collected on the basis of the amount demanded, but, in terms of expertise, the demanded price shall be the same as that determined in the lawsuit.

Note 33

The Iranian Fishery Company is granted permission, with the approval of the Economic Council, to deposit the amount of 3 billion rials from the sale of its property to the people in the investment account of the abovementioned company to be spent in the form of fundamental investment in fishery and marine life, within the framework of the First Economic, Social and Cultural Development Plan of the Islamic Republic of Iran.

Note 34

Permission is granted to allocate the surplus of the revenue increase compared to the projected ratified revenues in the 1372 budget of the Technical and Mechanical Soil Laboratory, affiliated with the Ministry of Roads and Transport, upon the approval of the general assembly of the company, to develop and equip the central laboratory and its branches in all provinces for carrying out investment expenditures. Also, the increase in revenues compared to the ratified projected revenues in the 1372 budget of the railroads of the Islamic Republic of Iran and the terminal companies shall be allocated to investment expenditures.

[22 Dec p 6]

[Text]

Part III

Economic Division. In the previous issues, the notes concerning the regulations on creating foreign currency commitments, procedures to meet previous commitments, the exchange rate of the rial with other foreign currencies based on the foreign currency supply and demand (except for defense items, essential goods, pharmaceuticals, and petroleum products), and also funds for developmental projects, the Ministries of Petroleum and Energy, and reconstruction were published. Below is the last part of the notes to the 1372 budget.

Note 35

The Ministry of Economic Affairs and Finance is granted permission, in order to achieve the projected tax revenues in 1372 and study the ways to reform the tax methods and systems:

1. To take steps to employ 3,000 people (calculating the existing contract employees) for the needed cadre and create related organizational positions, upon the approval of the minister of economic affairs and finance, with priority given to freed prisoners of war and self-sacrificers, without obtaining permission from other authorities, in observance of the administrative and employment laws and regulations.

2. To take steps to purchase cars, administrative buildings, suitable land, and other needed equipment and expenditures.

3. To spend a maximum equivalent of the funds in Line 503132, Section 4, of this law, which shall be placed at the disposal of the Ministry of Economic Affairs and Finance, while distributing it among the central units and the central offices of economic affairs and finance, on the basis of agreements exchanged with the Plan and Budget Organization, and funds will be allocated to pay the personal expenditures and other expenditures related to Lines 1 and 2 above and the current and fixed expenditures resulting from the implementation of Notes 35 of the 1369 [21 Mar 1990-20 Mar 1991], 1370 [21 Mar 1991-20 Mar 1992], and 1371 [21 Mar 1992-20 Mar 1993] national budget laws in 1372 [21 Mar 1993-20 Mar 1994], as well as other expenditures needed to achieve the above-mentioned goals.

Note 36

In order to implement Note 40 of the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran and put in place the postal correspondence and communication system for in-person communication between the people and government offices and also to carry out the postal services of the government and public organizations by the Postal Company of the Islamic Republic of Iran, a committee comprised of the National Administrative and Employment Affairs Organization; the Plan and Budget Organization; the Ministry of Post, Telegraph and Telephone; and the related executive organization, with the chairmanship of the first deputy of the president, shall be formed to determine the replacement of that part of the postal services of all government organizations, government companies and those under government supervision, banks, government-affiliated establishments, city halls, the institutions of the Islamic revolution, and the armed forces of the Islamic Republic of Iran that can be transferred to the Postal Company and to eliminate the related organization positions accordingly and reduce the current funds of the related organizations.

The above-mentioned committee must hold a session at least once a month and present once every three months a report on its activities to the Post and Telegraph, Energy, and Planning and Budget Committees of the Majles.

Note 37

A. In the implementation of Note 5 of the law of the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, at least 258 billion rials stated in the Chart of Section 6 of the law, under the heading of special funds for the deprived areas of the country, shall be allocated among the provinces in addition to the share of provincial and national funds of the deprived areas of the country, 100 percent of which shall be allocated to educational projects (including the technical and vocational organization), health and water outreach, fundamental job-generating operations (fundamental development of the industrial area, aid to industrial towns, aquifer maintenance projects, small water and soil projects, technical and vocational training centers, rural industries training), electricity outreach, culture and arts, sewage, Payam-e Nur University stations, organizational housing, athletic halls, suitable rural roads, the improvement of villages in deprived areas and deprived villages in prosperous areas, and the Qazal Uzun and Dasht-e Qeydar projects. Funds for the deprived areas of every province in this paragraph shall be determined and spent on the basis of the specific plan and project schedule and also the organization that carries out every project, with the approval of the planning committee of the province.

The presidential office of the deprived regions of the country is responsible for submitting a report on the operatives in this note to the Planning and Budget and Revolutionary Institutions Committees of the Majles.

Also, the governors general are responsible for regularly sending the report of the planning committee of the province and the implemental operations of the above-mentioned funds to the Presidential Office (for the Affairs of the Deprived Regions of the Country).

B. Five billion rials shall be placed at the disposal of the Ministry of Culture and Higher Education to establish and operate precollegiate high schools and expand enhancement classes in the cities with universities whose students and applicants are exclusively chosen from deprived districts nd villages. The procedure for the distribution of the funds and supervision over their implementation is the responsibility of the Ministry of Culture and Higher Education and the Presidential Office for the Affairs of Deprived Regions.

C. The amount of 6 billion rials from the funds in Paragraph A of this note shall be placed at the disposal of the Ministry of Education to build, equip, and operate 24-hour schools in the deprived areas.

Note 38

A. In the implementation of Note 51 of the First Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran, the Ministry of Islamic Culture and Guidance is granted permission to collect the following funds and deposit them in the account of the General Treasury.

1) The 2-percent cost of any passenger staying overnight in one- to five-star hotels, on public beaches, and in coastal complexes.

2) Revenues from the implementation of the law on the collection of taxes from those who participate in group sightseeing and pilgrimage tours sent abroad.

3) A 10-percent increase in the price of nongovernmental press advertisements.

4) Revenues from cultural, artistic, and sightseeing activities.

5) The amount of 50 rials on every cassette tape and recorder reel tape imported into the country (except for use by the Voice and Vision).

6) In order to expand and develop training related to the print industry and support the expansion of print and publication activities and to create training programs for those involved in printing and to provide facilities to better supervise and support printing and publishing, the government is permitted to collect the following funds and deposit them in the account of the General Treasury.

A. Five percent of the total cost of publishing activities (including lithography, typesetting, and printing), except on government books, publications, and printing activities, which are collected by the Ministry of Islamic Culture and Guidance and deposited in the account of the General Treasury.

B. Three percent of the price of printing machinery and equipment related to the printing industry that is imported from abroad based on customs pro forma shall be collected by the Ministry of Economic Affairs and Finance and deposited in the General Treasury.

C. Five percent of the cost of the permits issued by the Ministry of Islamic Culture and Guidance to establish the transportation of print shops and print machinery and related equipment shall be collected by the Ministry of Economic Affairs and Finance and deposited in the General Treasury.

Permission is granted to use the equivalent of 100 percent of the revenues of Lines 1 and 2 for the purpose of educational services and the development of international and national tourism; and the equivalent of 100 percent of the revenues in Line 3 for the purpose of the training of the press forces and supporting the expansion of sound press activities in the country, the creation of training programs for journalists, providing social and welfare security for journalists, the publication of suitable press abroad, and providing for the expenditures of the activities of the Islamic Thought Foundation; and 100 percent of the revenues in Lines 4 and 5 for the purpose of cultural and artistic guidance and support activities, such as holding festivals and exhibitions and the spread of traditional Iranian music; and 100 percent of the revenues in Line 6 for the purpose of the development and expansion of the printing and publication industry toward achieving the cultural goals of the Islamic Republic of Iran from the funds in Lines 114040, 114080, 114090, 114081, and 114082, Section 4, of this law.

The procedure for the collection of the above-mentioned revenues and their use shall be on the basis of bylaws to be proposed by the Ministry of Islamic Culture and Guidance, verification by the Plan and Budget Organization and the Ministry of Economic Affairs and Finance, and the approval of the Cabinet.

Note 39

Iranian customs is granted permission to spend 100 percent of the revenues obtained from extra customs service during unofficial hours or holidays that are collected in accordance with the regulations of the law on customs affairs and its implemental bylaws and to deposit and include them in the general revenue account of the country stated in Line 419913, Section 3, of this law from the funds in Line 110503, Section 4, of this law, in accordance with the regulations of Article 13 of the implemental bylaws of the customs affairs law.

The payment of the funds stated in this note shall be exempt from all contrary regulations.

Note 40

The Ministry of Foreign Affairs and the Ministry of Islamic Culture and Guidance are granted permission, for the purpose of strengthening the personnel cadre of the centers abroad, to take steps to transfer, and if not possible employ, 150 persons for the administrative and 20 persons for the support positions needed by the ministry.

The hiring stated in this note must be verified by the National Administrative and Employment Organization and in every respect shall be subject to the regulations of the national employment law.

Note 41

A. The National Aviation Organization is granted permission, in return for offering services to foreign officials, guests, and passengers who pass through the airport pavilions, to collect funds in rials or accredited foreign currency, depending on the case, and deposit them in the general revenue account stated in Line 409954, Section 3, of this law. The equivalent of the collected revenues in the above-mentioned lines shall be placed at the disposal of the National Aviation Organization from the funds in Line 503165, Section 4, of this law, to be spent on the development, equipment, and administration of the pavilions of the country.

B. The National Aviation Organization is granted permission to collect the cost of airport and flight services in rials or accredited foreign currency, depending on the case, on the basis of charts and amounts that will be approved by the Cabinet and deposited in the general revenue account of the country in the General Treasury.

C. The regulations of Paragraph A of this note shall not be extended to the citizens of countries that do not collect similar fees from Iranian officials and passengers.

Note 42

From the beginning of 1372, all road-building and road-maintenance projects shall be subject to the payment of ownership interest and shall be exempted from the payment of sand and gravel taxes. Also, the Ministry of Roads and Transports will become a member of the

committee to determine those who will execute and operate regular sand and gravel and regular clay mines and is given priority to operate the above-mentioned mines for road building and road maintenance. Any use of the sand, gravel, and clay mines of rivers and sea coasts without prior permission from the above-mentioned committee shall be regarded as illegal use of public property, and the violators will not only pay for the damages but shall be prosecuted.

Note 43

1. The funds of contracts related to the education and training of manpower that are signed with a foreign country by the ministries, government organizations, companies, and establishments that are subject to the law, if mentioned by name, within the framework of the current regulations, shall depend on the education and training of the work force stated in the contract, if not possible in the universities and educational and research institutions in the country.

Determination of the above cases will be the responsibility of the Ministry of Culture and Higher Education; the Ministry of Health, Treatment and Medical Education; and the Ministry of Labor and Social Affairs, accordingly.

2. If the education and training of the work force is possible in the universities and educational and research institutions of the country, the related funds shall be transferred through the executive organization to the Ministry of Culture and Higher Education; the Ministry of Health, Treatment and Medical Education; and the Ministry of Labor and Social Affairs, to be spent on creating the programs in the universities and educational and research institutions.

3. Exceptions shall be proposed by the related organization and approved by the committee of authorized ministers.

4. The implemental bylaws of this note shall be proposed by the Ministry of Culture and Higher Education and the Plan and Budget Organization and approved by the Cabinet.

Note 44

A. The National Industries Organization shall be responsible for depositing the amount of 10 billion rials from the funds from the sale of the shares of the factories and companies under its jurisdiction in the account of the Treasury, as stated in Line 390800, Section 3, of this law.

B. The equivalent of 100 percent of the revenues in this fund shall be allocated to creating 70 technical and vocational training centers from the funds in Project No. 31103273, Attachment No. 1, of this law.

Note 45

A. The Ministry of Education is granted permission to distribute the funds stated in Line 127750 of the current budget law among the affiliated schools.

The above-mentioned schools shall use the related funds on the basis of the law on the procedures to carry out financial and transactional affairs of the universities and higher education and research institutions and include them in their definite expenditures.

B. The ratified funds in Line 127514 (employment of needed work force) shall be proposed by the Ministry of Education and verified by the Plan and Budget Organization and added to the ceiling of the ratified funds of the central offices of education of the provinces and affiliated national organizations.

Note 46

The Ministry of Education is granted permission, by making use of the capacities of the second and night shifts of the technical and vocational centers and schools under its supervision, to establish official or short-term technical and vocational training programs through the receipt of educational fees from applicants and institutions. All funds collected in this manner shall be deposited in the general revenue account stated in Line 410347, Section 3, of this law, and their equivalent from the funds in Line 503162, Section 4, of this law shall be placed at the disposal of the Ministry of Education to provide for the expenditures related to the above-mentioned programs, to be used on the basis of regulations to be proposed by the Ministry of Education and approved by the Cabinet.

Note 47

Permission is granted to allocate all the special profits related to 1372 of the Iranian Communications Company, a part of which in Section 8 concerning the budget of government companies has been included as tax on carrying out investment expenditures, for use to expedite and facilitate the implementation of fundamental urban and rural projects of that company.

Note 48

The Iranian Physical Education Organization is granted permission to sell the athletic buildings and facilities that it has at its disposal as well as incomplete projections and plans that can be transferred to the nongovernmental sector, while preserving their use and as determined by a committee comprised of the representatives of the above-mentioned organization, the Ministry of Economic Affairs and Finance, and the Plan and Budget Organization, on the basis of regulations, and deposit the resulting revenues in the general revenue account of the country.

The equivalent of 100 percent of the above-mentioned deposited funds shall be placed at the disposal of the Iranian Physical Education Organization to be spent in

accordance with the agreements exchanged with the Plan and Budget Organization to complete, equip, and start the operations of existing facilities and buildings and on incomplete plans and projects.

The implemental bylaws of this note shall be proposed within three months of the date of the ratification of this law by the Iranian Physical Education Organization, verified by the Ministry of Economic Affairs and Finance and the Plan and Budget Organization, and approved by the Cabinet.

Note 49

The government is granted permission to transfer movable and immovable properties that have been created from the funds of the developmental plan for the "completion of incomplete tourism facilities," while preserving their use and observing the related laws and regulations, to the nongovernmental sector and deposit the obtained funds into the account of the General Treasury.

Of the above-mentioned funds from Line 503172, Section 4, of this law, 100 percent shall be placed at the disposal of the Ministry of Islamic Culture and Guidance to be used for the development of the activities of tourism after the exchange of agreements with the Plan and Budget Organization.

Note 50

Permission is granted to collect 20 percent of the revenues from the issuance of one-year exemption cards for those eligible for the draft who are abroad, at $5,000 per person, and deposited in the general revenue account of the country in the General Treasury, as stated in Line 419952, Section 3, of this law, to be placed from the funds in Line 503116, Section 4, of this law at the disposal of the Ministry of Foreign Affairs, to be spent on purchasing and constructing buildings or property and equipment for the diplomatic agencies.

Obviously, the exemption cards shall be issued by the Ministry of Foreign Affairs after verification by the joint chief of staff in accordance with the bylaws to be prepared jointly by the Ministries of Foreign Affairs and Interior and approved by the Cabinet.

Note 51

A. The Ministry of Heavy Industries is granted permission to sign contracts from the developmental funds of the plan to grant technical and technological assistance to heavy industries and building prototypes of industrial machinery and equipment with government and private companies, institutions, and workshops and actual persons whose qualifications are approved by the above-mentioned ministry for building prototypes of industrial machinery and equipment and, instead of receiving banking guarantees, to pay the prepayment funds with promissory notes or any other collateral.

The Ministry of Heavy Industries may directly or through the banking system pay interest-free loans to these individuals, companies, institutions, and workshops in exchange for collateral or promissory notes. The amounts collected from those who take the loans in payment for the above-mentioned interest-free loans shall again in the above-mentioned manner be paid to other individuals.

Note 52

The Central Bank of the Islamic Republic of Iran is responsible for providing from its own sources of funds or those of other banks the needed funds for guaranteed purchases of essential agricultural and animal husbandry products on the basis of the ratifications of the Economic Council in the first half of 1372 and place them at the disposal of the related executive organizations in the form of short-term loans (funds).

The Plan and Budget Organization is responsible for guaranteeing the principle and service fees of the above-mentioned funds that are spent with consideration for the contents of Note 70 of the general accounting law.

The above-mentioned guarantee does not negate the duties of the banks to collect the above-mentioned uncollected sums.

The executive organization that uses the banking facilities in this note is responsible for repaying the bank loans, and failure to pay the debt shall be regarded as illegal use of government property and funds.

Note 53

The government is granted permission, upon the suggestion of the Plan and Budget Organization, to guarantee the internal loans of the government companies, including companies that are subject to the law, provided they are mentioned by name and are nongovernmental public establishments and institutions resulting from the government economic modification policies.

The Plan and Budget Organization is responsible for including the uncollected late installment payments and all or a percentage of the interest and service fees at the due date in the national budget bill of the future years.

Note 54

The Central Bank of the Islamic Republic of Iran is responsible, within the framework of the monetary policies of the county and on the basis of the ratification of the Economic Council, for providing the needed credit facilities for the investment of that group of activities of the nongovernmental sector that are responsible for supplying goods and services at fixed prices in 1372 or, based on the ratification of the Economic Council, are permitted to make use of the facilities in this note from the resources of the banking system.

The Plan and Budget Organization is responsible:

For including all or a part of the interest and service charges that are defined by the Economic Council on the due date in the budget bill of the future years.

The above-mentioned guarantee does not negate the duties of the bank to collect the above-mentioned uncollected late debts.

Those who use the credit facilities of this note are obliged to repay the bank debts, and failure to pay the debt shall be considered illegal use of government property and funds.

Note 55

The government is granted permission to guarantee and pay the difference of the interest and service charges of the necessary banking facilities to expedite the improvement of the self-help settlements of tribal communities in regions with potential and equip the production centers to carry out the comprehensive development plan for tribal regions, up to 10 percent, for a period of 5 years.

The amount of banking facilities for the implementation of this note is set at 20 billion rials.

The above-mentioned guarantee does not negate the duties of the bank to collect the uncollected late payments due to granting such facilities. Those who use the credit facilities of this note are obliged to repay the bank debts, and failure to pay the debt shall be regarded as illegal use of government property and funds.

Note 56

The government is granted permission to guarantee and pay the difference of interest and service charges of the banking facilities in the housing section for residential units that conform to the ratified housing model and are sold in installments, up to a maximum of 10 percent for 10 years, and for the self-sacrificers and the families of martyrs at a maximum rate of 12 percent for 10 years.

Note 57

The amount of 7 billion rials from the funds stated in Line 503177, Section 4, of this law shall be allocated to audio-visual activities, to be spent upon the suggestion of the Ministry of Islamic Culture and Guidance and the approval of the Cabinet.

Note 58

The Plan and Budget Organization is granted permission, by gaining the support of the related executive organizations, to take steps to combine or divide the national developmental projects within a program and also to combine the lines in the current budget stated in this law and announce the same to the concerned authorities.

* Larijani Editorial

93AS0364C Tehran RESALAT in Persian 24 Dec 92 pp 1, 16

[Text] 1. The government in its 1372 [21 Mar 1993-20 Mar 1994] budget clearly has followed four major goals.

First, offering a balanced budget without a deficit.

Second, creating a single foreign currency rate and making it realistic.

Third, continuing the major developmental and industrial projects up to the extent possible.

Fourth, reducing pressure on low-income strata and preventing economic chaos.

2. A balanced budget is always a rational action, because it means spending at the level of income. Only investments that have returns in the reasonable future are justifiable. In other words, borrow today and start an operation so that tomorrow you can both pay back your debt and make a profit.

What is the basis for the emphasis of the government on offering a "budget" without a deficit? Certainly it demonstrates the determination of the government to prevent the creation of new debts, even though the large borrowing of government companies from the banks cannot be ignored. New borrowing is inflationary, domestically and externally. Commitments are coupled with serious global and political effects. While I cannot minimize this concern of the government, I believe that we should not forget our present juncture, which is a juncture of leaping and planning. Have we evaluated the previous investments? Can they fulfill their commitments in the near future? And most important, has the list of profitable projects with a future ended?

In my opinion, while emphasizing a reduction in the budget deficit, the government must not be afraid of important future building projects, even at the price of an imbalanced budget. Of course, this direction does not mean that we allow thousands of incomplete projects that will not be completed in a reasonable time to continue at the price of wasting and delaying our limited resources.

3. What the government must be seriously afraid of is the very inflated and lazy executive organizations that operate with a great deal of waste. In such a bottomless pit, the best projects, the highest budgets, and the most excellent opportunities are buried.

Today, neither the intelligence, ingenuity, or and sincerity of our high-ranking officials are questioned, nor are the support and confidence of the people in the regime. But the problem is the competence of the executive body of the government.

To do important work, we do not want a large and expensive government. Rather, a small government in "size," frugal in spending, and "complete" in action is

necessary. In other words, the art of governing a country is to find out on how little we can do great work. Hence, in my opinion, more important than the balance of the budget is its domestic actions, which speak of the same "economic" philosophy.

4. We must not forget that we are in the state of being formed, and that among the political systems in the world we are a newcomer that is going through its evolutionary period. But ultimately, the government must only move on the shoulder of its revenues, and these revenues must be on the shoulder of the "high-income" people. For the government to excavate the natural resources and spend them, to undertake large and small projects, certainly is not a correct way, ultimately, even if it is justifiable for the transitional period. We must not present development as governmental. Development is a national process in its precise sense: all the resources of the nation and in the hands of the nation on the path of national goals.

The government guides, supervises, supports, and then does only what the people cannot do. That is all.

5. What can we do in the Majles? First, make the final form of the budget transparent, so that no debt or commitment is hidden.

Second, conservation must be the slogan for 1372. In other words, the Majles can impose significant reductions in all activities that it has not been able to justify, no matter in what sector, while preserving the major ones.

Third, the fundamental projects must be preserved, provided they yield a timely return.

Fourth, the proposals of the government for educational, higher education, and research should not be reduced, but the distribution of the budget must be orderly.

Fifth, necessary services and social security for the vulnerable stratum must increase.

* Nurbakhsh, Roghani-Zanjani Views

93AS0364D Tehran RESALAT in Persian 26 Dec 92 p 15

[Text] Economic Division. Mr. Mas'ud Roghani-Zanjani, deputy president and director of the Plan and Budget Organization, and Dr. Mohsen Nurbakhsh, the minister of economic affairs and finance, took part in a television program and explained the characteristics of the 1372 [21 Mar 1993-20 Mar 1994] budget. We shall read some parts of this interview together.

According to this report, the director of the Plan and Budget Organization said about creating a single foreign currency rate and the goals of the economic modification policies: The important and prominent characteristic of the 1372 budget is the creation of a single foreign currency rate. Of course, this was not an instantaneous and sudden decision for the government to have made in 1371 [21 Mar 1992-20 Mar 1993] for 1372. It was the result of the continuation of a set of policie that have become known in the country as the economic modification policy and that the government has pusued since 1368 [21 Mar 1989-20 Mar 1990] with the Five-Year Plan and has reached this point. It has practiced this modification policy gradually and ultimately as created a single foreign currency rate, which was a gal that the government pursued within the framework of the policy, and decided that the main goal of the modification policy is to increase production, develo exports, increase investment, reform the material structure, and reform the monetary structure.

In a part of his speech, Roghani-Zanjani said in regards to the worry of the people about the increase n prices at the time of the implementation of the creation of a single foreign currency rate: On the basis of gradual mposition of the economic modification policies, we did not try to extend this action to all goods in 1372. For example, clearly, the Ministry of Energy, which receivd foreign currency at a 7-toman rate from the government until 1372 and from next year (1372) [as published wants to buy foreign currency at a 140-toman rate nd build power plants with it, will not be able to do s with the resources that it has at its disposal. One solution is (most people are also worried about this action) to increase the prices and receive the money for its services from the people, because the price of the electricity that eople are using now is about 11 rials, which is regulaid on the basis of a 7-toman foreign currency. Another olution is for the government to subsidize it. The government has chosen the second solution, and in the 1372 budget, for fundamental services such as oil products, electricity, war, and essential goods, has allocated sufficient foreign currency and has not allowed an increase in he goods that the government has monopolized and that effect the people's lives.

Alongside these problems, the government, fo the vulnerable strata and those who live on a fixed income, as Mr. Hashemi said at the time he presented the budget, 90 percent of the government payments have been added to these strata and 24 percent to people that are covered, and efforts have been made to pay all debts t government employees that remain from 1370 [21 Mar 1991-20 Mar 1992].

Dr. Nurbakhsh, the minister of economic affairs and finance, said in regards to the direction of he 1372 budget in support of domestic industries and th quality growth of products:

For several reasons, we think that the 137 budget provides the possibility to support the domestic roducts of the country. From the perspective of a foreign currency rate that is more realistic, and it is the same issue of creating a realistic single foreign currency rate. Second is the issue of prices in regard to those artificially controlled prices that, in any case, did not allow production to grow in the country. In fact, a better situation has been provided. And third is the issue of regulations and

the reduction in cumbersome regulations. For example, let me say that suppose a producer wants to simply open credit to import raw materials. Perhaps more than 50 stages had to be passed for him in order to be able to open credit. With the change that we have made in the budget, now the issue is the decision of the producer as to where to buy those materials, and by simply going to the bank he can open credit and the goods will be at his disposal. You see how much time and energy will be saved and how much more realistic decisions will be.

Because under the previous conditions the producer was obliged to reserve all this time and would have to order the material that he might need a year later from the previous year, you can see how much of the national resources would be kept as unwanted reserves in various places, including the customs warehouses and the warehouses of the factory and ultimately a wholesale warehouse, because he was not sure when he decided if he could use it. Hence, this elimination of and reduction in regulations is actually one of the main indicators of support for the producer.

The deputy president and director of the Plan and Budget Organization in a part of his speech spoke on the issue of determining the foreign currency rate, the export of nonoil products, and determining the rial budget in place of the foreign currency budget for governmental organizations and said: Price is not an economic parameter. It is an economic variable. In other words, there are other factors that determine the price and are never fixed in one place. It depends on various economic factors, some of which are at the disposal of the government, which are used as monetary and financial tools. If they are well-regulated, the price of foreign currency will become stable. If the government decides once again to stabilize the rate of foreign currency, this would be a repeat of the events that have occurred in the past, and instead of a foreign currency rate of 7 tomans it would become 20 tomans. We must manage the economy in such a way that the power of the rial vis-a-vis foreign currencies increases every day. In the 1372 budget, we have tried to reduce the temptation of demand from the foreign currency market. You know that any item is offered at a certain level. If the demand is greater, the price will go up, and naturally the foreign currency market follows this law. Unfortunately, due to the wrong economic structure, 85 percent of our foreign currency is from oil, and hence nearly 15 percent is from nonoil products. At the present time, the determining factor in the supply of foreign currency in the market is oil.

In the area of supply, one part is the people and the other the government organization. At the present, in the foreign currency market the dominant part is played by the government. This open foreign currency market is the same need that the private sector has devised for its economic life, of which some is the industries sector and some the services sector.

We have tried to harness the temptation of demand through government organizations. The most important thing that has been done in the 1372 budget is to not pour money in the foreign currency market. A part of it is through the general budget. In other words, the same money that we have put in one line for the organizations and enters the market has been limited.

In the budget of the government companies as well, we have almost done the same, except for a series of special items, such as oil and defense products and the essential goods of the people.

In the section on banking policies as well, efforts have been made not to let a great deal of money enter the foreign currency market through the banks. If we do this, that is, not to motivate the demand in the market, next year we shall not face serious foreign currency fluctuations. And if the modification policies are not implemented fully in the country and the structure of the industries is not reformed, and until production becomes suitable qualitatively and quantitatively, and expenditures are suitably reduced or become competitive in the world economy, if they do not reach this point and we remain dependent on oil revenues, with the changes that occur in oil revenues, we shall have such blows and shocks. In the Second Plan, we are trying to go in a direction of having at least 50 percent of the national revenues at the end of the Second [as published] Plan provided from nonoil exports.

* Tavakkoli Expresses Views on New Budget

93AS0405A Tehran RESALAT in Persian
29, 30, 31 Dec 92; 2, 4, 5, 6 Jan 93

[Editorial by Ahmad Tavakkoli]

[29 Dec pp 1, 16]

The 1372 [21 Mar 1993-20 Mar 1994] Budget Bill, Part 1

[Text] At the end of Azar [21 Dec], the president presented the 1372 national budget to the Majles. His detailed speech included the important points of the bill and the economic-political situation of the country.

While enumerating the strong points of the economic changes in the country in recent years, he emphasized two characteristics of the 1372 budget: The balance between revenues and expenditures of the general government budget and the creation of a single foreign currency rate in writing the budget.

The figures in the budget indicate the continued support for fundamental economic projects; attention to education, health and the growth of the deprived areas; and support for the oppressed classes. But the projected level of success, due to the change in the foreign currency rate, given the limited information that has been published, is not possible. The change in the foreign currency rate is a proper step that has many positive effects, even though it will have limiting side effects as well, about which a

separate discussion is required. At the same time, certainly, it will effect all the expenditures and revenues of the government and the nation. The greater the role of foreign currency in an economic activity, and the more that activity has been subsidized, the greater will be the effects of the foreign currency on it.

Such a decision certainly should have been made after a general evaluation of this effect on price trends. But the honorable president did not make any references to this important and determining matter, whereas it was the duty of the economic organization of the country to present the results of the studies ahead of time in order for the people who listen to the speech of their elected and beloved president to be able to judge.

In any case, since the true value of the presented figures (the prices after the deduction of the effects of inflation) is not clear, we cannot give a very precise opinion. At the same time, our efforts will be to examine some of the actions and their probable results cautiously, hoping to help clarify them and help rectify the shortcomings. We shall try to center our discussion on the two characteristics emphasized in the 1372 budget.

Undoubtedly, one of the defensible and relatively successful policies of the government is the reduction in the budget deficit. If the methods of the years prior to 1367 [21 Mar 1988-20 Mar 1989] in writing the budget were to continue, domestic money would become more worthless every day, and backbreaking inflation would advance more rapidly. Now we witness that the budget bill is offered to the Majles without a deficit. But this issue must be examined from two directions. First, how achievable is having a zero deficit? Second, is this method of balancing the budget what we are after, or does the budget, despite having balanced revenues and expenditures, suffer from disarray and, for this reason, is it unclear whether the balance would last?

An important reason for the budget deficit in the annual budget bills has always been optimum in devising the figures, in other words, estimating the revenues too high and the expenditures too low, whereas the wise thing to do is to do precisely the opposite, in order to determine the maximum probable need and from the beginning prevent waste. This is a point that we have always insisted on, even though in the present government the fault has decreased; but I think in the budget in question, this weakness still remains.

The major items of the government revenues in order of importance are revenues from the sale of oil, tax revenues, and revenues from the sale of services and goods.

Revenues from oil are projected to be 15,815 billion rials. The calculation is based on $17 per barrel of oil. Even though the average sale this year has been a little over $17, considering the economic recession in industrial countries, the news of which is published every day and the continuation of this recession next year is predicted by reliable international economic institutions, using $17 as a base along with an increase in the amount of exports is not proper. To be fair, we should have calculated the base price at $16 per barrel and also have considered the sale at most at the level of this year, in which case we would fall short about 2,000 billion rials in revenues.

Of course, we have made good progress in realistically calculating the revenues from every dollar. The amount of $3.7 billion has been calculated for essential goods, defense, and health and treatment, at 70 rials per dollar, and $10 billion has been calculated at 1,450 rials per dollar.

The collection of tax revenues in the past few years has been significant, so that in certain years the Ministry of Economic Affairs and Finance has succeeded in collecting more in taxes than the ratified ceiling, such as in 1370 [21 Mar 1991-20 Mar 1992], when it was 16.5 percent over the amount ratified. This success started from 1366 [21 Mar 1987-20 Mar 1988], in the previous government. Of course, we must be aware that usually the pressure is placed on small taxpayers, and the holders of great wealth and revenues are safe from paying the national taxes. This weakness is due to the assessment system and the dishonesty of some of the tax assessors. At the same time, this itself indicates that the capacity for paying taxes is greater than what has been set.

In the proposed budget, next year's tax revenues are set at 5,420 billion rials, in other words, 50 percent more than in 1371 [21 Mar 1992-20 Mar 1993]. Even though with the change in the rate of foreign currency and subsequently the change in prices and wages, naturally the revenue figures also become inflationary, we cannot be sure of collecting such figures, because two major items of this revenue, a total of 3,525 billion rials, concern taxes on companies (comprising 1,453 rials) and taxes on imports (2,072 billion rials). Taxes on companies, based on the profits of the current year's operations, are to be collected the following year. Taxes on imports are also mainly the result of customs duties and commercial taxes that will be collected from the imports of next year. The sluggish production this year (which after denial for a while was finally accepted by the officials of the economic organizations) and the limited foreign currency revenues for next year make the collection of taxes on companies and on imports at the projected level and with the common methods uncertain, and will most likely increase the pressure on relatively weaker taxpayers.

Revenues from the sale of goods and services have been designated at 109 billion rials. Even though scrutiny in these parts shows that the government has tried not to raise the price of its goods and services, and in this regard has taken a positive step, including relatively large figures that history proves not to be achievable is far from being cautious. For instance, the Ministry of Housing is made responsible to obtain 160 billion rials in revenues from general and commercial sales and transfers, whereas of the 150 billion rials ratified this year, in the first eight months alone, 7 billion rials have been

obtained. Another case is the Army of the Islamic Republic, which in accordance with the projections should obtain 70 billion rials from the sale of surplus equipment and parts of the barracks, whereas of the 63 billion rials ratified for this year, in the first eight months almost no revenues have been gained. If the capability was there and it was not done, who was questioned for this violation, and if it was not there, why should such revenues be included, unless it can be made certain that these obstacles will be eliminated next year?

In terms of expenditures, because various sectors are affected differently by the change in the rate of foreign currency, directly or indirectly through domestic prices, and because there is no sufficient information available, we cannot judge how realistic they are. Of course, the accusation that the government has calculated the dollar in the revenues at the 145-toman rate and at a rate of 100 tomans in the expenditures is baseless, because in Note 22 of the same bill, it has been projected that the difference between the expenditures of the developmental projects and the current budget, due to the modification policies, shall be made up for.

It is worthy of note that some of the government expenditures are transferred officially or unofficially to government companies. For example, the developmental expenditures of some sectors are conferred on companies, and they have been granted permission to borrow from the banks for them.

The necessary and decorative repairs of the Ministry of Mines and Metals with the expenditures of the affiliated companies is an example of the illegal transfer of expenditures. The increase in the projected borrowing of government companies of up to 5,443 billion rials is proof of this claim, while the borrowing ratified last year was 1,605 billion rials, that is, the budget deficit of the government companies and institutions next year has been projected at about 3.5 times that of 1370.

With the above considerations, the balance in the government general budget is not reliable, even though it properly proves continued efforts toward decreasing the deficit.

[30 Dec pp 1, 16]

The Structure of the Reformed Budget Bill: The 1372 Budget Bill, Part 2

[Text] The first part of this study stated that the balance in the government's general budget cannot be trusted. Even though it shows a continuation of the correct policy of decreasing the government's general budget deficit and is praiseworthy in this regard, in terms of form, for the above reason, the inclusion of certain revenues and the unreliability of expenditures must be taken into consideration. Furthermore, some of the expenditures in the general budget have been imposed on the budget of government companies and institutions; therefore, the balance of the general budget cannot be easily accepted. In fact, success is acceptable when the "national budget" is observed as Article 52 of the Constitution emphasizes. Even though for years the issue has been emphasized in the law that government companies and institutions must present their own complete budgets along with the general budget of the government, this important legal duty is not observed. (The same goes for the 1372 bill.) The national budget deficit from 1369 to 1372 [21 Mar 1990-20 Mar 1994] verifies that the deficit is increasing. The figures are as follows: 1,217 billion rials, 2,565.5 billion rials, 2,752 billion rials, and 5,443 billion rials. In other words, even though the budget deficit has decreased, with fluctuations, the total deficit is increasing. It appears that this increase next year will be about 100 percent.[1] Of course, the deficits of government companies, because they borrow from commercial banks and must be paid from their own resources, have fewer negative effects. A more important point concerning the budget deficit is that a balance is desirable in a budget when it is the result of the imposition of projected policies to reform the structure, and not the result of the fluctuations in the price of oil or timely economic decisions.

The budget is the financial list of the annual program of the government, an annual program that itself, according to Article 1 of the national plan and budget law, is a part of the Five-Year Mid-Term Plan. The budget will be truly balanced when it leans toward the attainment of devised policies and, while trying to achieve them, has no deficit. The First [as published] Plan law, which will end in 1372, announces the duty of the government as "making the government organization system, within the framework of legal duties and financial resources, logical."[2] It also determines its implemental policy as a "gradual decrease in the number of personnel employed in the government sector."[3] The reason for this decision is that the volume of inflation in the government organizations had grown in proportion to the policies of economic concentration in the hands of the government. The number of employees in government organizations and institutions and in city halls in 1358 [21 Mar 1979-20 Mar 1980] was a total of 1,115,340, whereas the growth in government involvement approximately doubled it by 1366 and brought it to 2,104,667.[4]

Note 32 of the First Plan law makes the government responsible to take steps, in a committee headed by the president, to improve the management and determine the decisive level of the property of government companies and to specify their minimum profit yield in a manner that their for-profit operations are separated from social and protective actions. What steps have been taken in this regard? If this had been done in the first three years of the plan, we would now not witness it. Whereas the budget of government companies and banks has reached from 17,386,000,000 rials to to 33,789,000,000 billion rials this year. That is about double, even though their insignificant profit vis-a-vis the doubling of the expenditures is projected at only 0.1 billion rials more. Even though it is possible that a part

of the nonprofitability is the result of the control over the price of their products, at the same time, how can these figures be justified? This large segment of the government economy, contrary to the frequent ratifications of the budget law and Note 33 of the plan law, avoids presenting an annual report with the budget bills, and the Majles has chosen to ignore this inattention on the part of the government to its ratifications. There is so much discussion about the general budget, but there is indifference to the budget of companies and banks, which comprise 57.7 percent of the total budget. Why?

Concerning the developmental budget, we must agree that the government in the recent years has made an effort to increase the share of the developmental budget in the general budget, and according to the projections of the 1372 budget bill the ratio of the developmental budget to the total general expenditures has reached 41 percent, which has been unprecedented in the past 27 years.

The economic report of 1369 [21 Mar 1990-20 Mar 1991] of the Plan and Budget Organization, which reflects the first two years of the First Plan, indicates the attainment of a high percentage of the developmental goals, particularly in the areas of water, agriculture, mines, and electricity. But three points worth pondering exist. First, it is unclear whether or not the abovementioned trend has been maintained in 1370 and 1371 in the same manner. The serious refusal of the Plan and Budget Organization to announce the operations of the first six months of the developmental projects (based on a note in the First Plan) strengthen this suspicion. Second, and more important, the developmental budgets are not properly evaluated technically and economically. For this reason, defining the implementation of every project, or the timeframe, or whether it is suitable to the economic necessities and resources is not clear. And because the total effort is beyond the existing capacity of the management, specialized manpower, and physical resources in the country, the implementation of such projects will take much longer than is customary, which means that you will see the manifestations of the revenues of the developmental projects without the signs of their capability. In other words, we spend and raise the demand for materials and manpower and, through the payment of salaries, increase the demand for consumer goods. (In other words, we increase inflation.) Yet a new production capacity (that would increase supplies) is not created on time. The greater the distance between the two effects of development and expenditures (revenue effect and capacity effect), the greater its negative consequences will be, and the less economical it will be.

For example, we can mention the Mobarakeh Steel project. This project, which has been relatively successful in terms of speed of construction in recent years, was started in 1356 [21 Mar 1977-20 Mar 1978] and became operational on a trial basis in Shahrivar 1370 [23 Aug-22 Sep 1991]. Then there is the construction of the Saveh Dam, which the president has announced will be operational next year, which began in 1354 [21 Mar 1976-20 Mar 1977]. Then there is the economically and even militarily strategic Shahr-e Kord-Izeh Road, which will reduce the distance between Tehran and Khuzestan by several hundred km and will also be safe from the range of border attacks, which was begun in 1356 and is projected to be completed in 1376 [21 Mar 1997-20 Mar 1998]. In the same way, the Bafeq-Bandar 'Abbas railroad, which like the previous road will have a determining effect on the nation's economy, started 17 years ago and has not yet been completed.

The speech of the president during his presentation of the budget bill indicates that of the 8,629 km of national roads under construction, only 920 km will be completed next year, that is, about 10 percent of the 50 projects of the cement factory are under construction [as published]. The total foreign currency needed for 19 projects has been paid. Of this number, eight projects should become operational by next year, but according to the president, only the two factories of Abadeh and Qa'en will be operational.

It should not go unsaid that there are also successful examples of implemented projects; for instance, the construction of the Urmia Cement Factory, with over 55 percent domestic production, was completed between 1361 and 1366 [21 Mar 1982-20 Mar 1988] in the war zone, or the Saveh Pane Glass project, undertaken by the private sector, which will have been built in 27 months, will be completed this year.

The third point in this area is the lack of coordination between parallel projects. Failure to implement a parallel project on time can negate the economic and financial effects of a large, successful project. For example, while the networking of natural gas has achieved 95 percent of the goals of the program, the transmission lines have only covered 65.7 percent and connections only 64 percent of the goals. In other words, hundreds of millions of dollars in foreign currency investments and billions of tomans in rial investments are rotting underground gradually without being used. Another example is the capacity of steel production in the country, which with a significant leap and the efforts of the Ministry of Mines and Metals will reach 5.5 million tons next year. The capacity of the production of iron ore for this amount of steel needs to reach about 12 million tons, whereas at the present time it is only 4 million tons. The result is that annually millions of dollars must be spent on the purchase and transportation of raw materials for steel from abroad.

Considering the above points, the mere increase in the ratio of the developmental budget in the general budget should not be considered a measure of success. The law of the First Plan gives the government the responsibility for "devising a system of preparing and implementing developmental projects in the country, for facilitating and scheduling them to be completed and operated in a desired manner, and for revising the evaluation and selection of projects, based on technical and economic considerations."[5]

If these duties are performed and as a result the current and developmental budget becomes realistic, that is, if it becomes harmonious with the legal duties and financial resources of the government and suitable to the administrative, manpower, and physical capacity of the country—that it follows structural reforms—then the balance in the budget would be properly meaningful. Even if the share of the developmental budget in that situation were less than that of the 1372 budget, the success would be real. With the structural reforms and the calculation of the revenues from oil that are evident in the 1372 budget bill, the share of tax revenues in the total revenues for next year will decrease compared to the past, but this does not mean that the government will not succeed. Have the Plan and Budget Organization and other related organizations carried out their duties in regards to reforming the financial and administrative structure of the government? In his speech, the president implicitly verified failure to act appropriately as follows: "In connection with the organizational reform and limiting the organization of the government, the elimination of the interference of organizations,...some steps are being studied."

Footnotes

1. The budget laws of 1369-1371 [21 Mar 1990-20 Mar 1993], the 1372 budget bill, the general budget deficit of 1369, the final budget of 1370, the ratified amount for 1371, and the proposed amount in the 1372 bill have been included. The deficit of companies in all the ratified years and the proposed bill for 1372 have been included, because the operational figures of this section are not announced.

2. Paragraph 1.1.3., Section C (overall picture of the plan), of the First Plan law (published by the Plan and Budget Organization, 68/00/90), p. 42.

3. Ibid., Paragraph 4.2.3.

4. Attachment of the First Plan law (published by the Plan and Budget Organization, 68/00/90), pp. 7-31.

5. Paragraphs 8-11, p. 34.

[31 Dec pp 1, 16]

What Is the Share of the Government Sector in the National Economy? The 1372 Budget Bill, Part 3

[Text] One pivotal point of the policies of the First Plan was to reduce the role of the government as a large employer. With the frequent emphasis of the late Imam and the decisions of the Policymaking Council, reconstruction began, and decisions were made that in the latter part of the blessed life of the founder of the Islamic Republic were verified by his honor. Of course, the grounds for accepting and pursuing this policy were provided when the mental obstacles of the officials were reduced with the appearance of the negative effects of government concentration, and in reality, too, the end of the war did not leave any excuses.

The annual budget must in this respect play its one-year role in achieving the above-mentioned goal. From this perspective, too, we should look at the 1372 budget bill.

One of the indexes that show the weight of the government sector is seeing the ratio of the government consumer expenditures in the gross national product [GNP]. If through negligence we consider the current expenditures of the general budget of the government as the consumer expenditures of the government and calculate its ratio to the GNP in 1368-1370 [21 Mar 1989-20 Mar 1992], we will have 12.2 percent, 11.7 percent, and 11.6 percent, respectively. This ratio for 1372 will reach 12 percent.[1] This shows that after a period of decrease, the role of the government will probably have a significant increase.

If we estimate the share of the government in establishing fixed capital in the same manner, which does not seem farfetched,[2] we can conclude that the role of the government sector in the whole economy has increased.

On the other hand, although it has decreased in a satisfactory manner in terms of administrative involvement, the role of the government in production and distribution, in terms of the number of economic agencies in the form of commercial companies, it continues at a standstill. In other words, the general sector, according to the latest statistics, continues to have at its disposal two-thirds of the companies with more than 10 employees.

Government companies and banks, as was mentioned before, are allocated 57.7 percent of the national budget. Expenditures in this sector next year have been projected at more than 34,730 billion rials. Of this amount, 11,039 billion rials, that is, less than one-third, will be spent on investments, and the remainder is the current budget. With this huge budget, only 544 billion rials in taxes have been projected for them, and more astonishingly the profit of their shares is only projected at 49.6 billion rials. Of course, of the ratified profit of 1371, of 49.5 billion rials, in the first eight months of this year, only 14 billion rials (28.5 percent) have been collected. Of course, in the operation of the nationalized companies, no profits go to the Treasury.

In his speech, the president said: "In connection with the government companies, last year numerous steps were taken to improve their operation and raise their productivity. This year, the policy of transferring the government companies to the nongovernmental sector continued, with efforts to encourage the participation of the people. Parallel with these steps, other government companies have been able, in the atmosphere that has been created to develop the necessary conditions for presence in the world markets, to carry out activities to improve quality and production methods."

In terms of the transfer of government companies, no other information has been published. The issue of the transfer of national industries companies can be indicated to clarify that this important and central policy has

not been successful. According to Note 45 of this year's budget law, the National Industries Organization was projected to sell 220 billion rials of its shares. The operations of the first eight months show that only 3.9 billion rials, that is, less than 2 percent, has been achieved. For next year, in the 1372 budget bill, the sale of only 10 billion rials of the shares has been projected.

The noteworthy point is the waste in the government companies. As the honorable president said, efforts have been made to improve the situation of the companies, but this improvement has been mostly in their financial situation, and, for that matter, through the increase in the price of services and goods. But because these companies and the auditing organization have not carried out their legal duties in presenting reports on their operations to the Majles, it is not quite clear to what extent they conform with the regulations. Briefly, it is clear that some of the collected revenues do not conform with the regulations, and bizarre expenditures also take place. For example, the general manager of a government company rents a private Falcon jet for anticipated trips to Bandar 'Abbas and Mashhad, to which there are numerous general flights. Or the chairman of the board of directors of another company uses a company helicopter for private business. Or the funds of these companies are spent on the current affairs of ministries. Winter swimming pool cards and sauna baths for the high-ranking managers of government companies in famous Tehran hotels and astonishing bonuses are also of this kind. Should the honorable Majles, at least out of respect for its ratification, not make inquiries about these issues?

Footnotes

1. These expenditures have been taken from the current expenditures of the 1370 and 1371 budget laws and the 1372 budget bill. The figures concerning 1368-1370 are based on the operational budgets and for 1372 on the proposed budget. The figures of the GNP have been taken from RAVAND magazine (the scholarly journal of the Central Bank), Vol. 2, Nos 6 and 7, p. 106. The consumer expenditures of the government vary slightly from the current expenditures of the general budget; but the figures of the consumer government expenditures concerning 1368-1370 have been stated in the later source (RAVAND magazine), and RAVAND shows the decrease in the government share in consumption in these years. The reason for the negligence is the unavailability of the figures for 1372. The GNP for next year, according to the president's speech, in which he estimated the tax revenues for next year, 8.2 percent of the GNP has been estimated to be 66,094 billion rials (in current prices).

2. Economic Report of 1369 [21 Mar 1990-20 Mar 1991] of the Plan and Budget Organization indicates failure to achieve investment by the private sector at the projected level in the first two years of the plan, p. 59.

[2 Jan pp 1, 16]

Creating a Single Foreign Currency Rate: The 1372 Budget Bill, Part 4

[Text] The giant step taken by the government in coordination with the Majles is the change in the rate of foreign currency in writing the budget. Of course, this step will be taken after three years of gradual movement to reach a more realistic rate of foreign currency. Even though there is appropriate criticism of this action, it is, in any case, an inevitable act that the government and the Majles are carrying out. Obviously, due to the disarray in the national economy and its strong dependence on foreign currency sources, there is no doubt that this action will play a significant role in the changes in the national economy. Of course, this does not mean that these changes will necessarily be positive. Rather, if the correct corresponding policies, in terms of economic and attitudinal changes in the culture, do not take place, the effects could be negative. In any case, contrary to what is inculcated from the propaganda behavior of the government officials, the change in the foreign currency rate will not perform miracles. However, two points are certain. First, this action was inevitable. (The remainder of this text will clarify this claim somewhat). Second, it will reduce administrative corruption and the waste of the limited national resources.

Concerning the advantages and disadvantages of the above-mentioned step, much has been said. The most important concern of the opponents is its effects in the bounding and severe increase in prices (due to the above-mentioned dependency). It is necessary for me to make two points in regard to this issue.

1. In terms of the effects of the floating price of foreign currency in the cost of produced goods, attention must be paid to the point that the foreign currency pressures and the policy of the government have gradually made the floating rate for foreign currency govern support. In other words, this year, of the 241 kinds of needed goods, and a large part of the national economy, including industry, agriculture, and services (every kind of goods includes numerous items), for the import of 191 kinds, the 145-toman foreign currency has been used. With competitive foreign currency, 39 kinds have been imported, and 11 kinds with government-rate foreign currency. Next year, most of the items that use government foreign currency will continue to be imported at the 7-toman foreign currency rate. Items that were imported using competitive foreign currency, because of the limited allocation of competitive foreign currency in practice, will resort to floating foreign currency in order to continue production. The proof of this claim is that in the first five months of this year, only $84 million of the competitive foreign currency has been absorbed by production, whereas in the two years of 1369 [21 Mar 1990-20 Mar 1991] and 1370, the amount of $3,199 million in competitive foreign currency was allocated to production.[1] Hence, this year, with the exception of essential goods, the rest of the goods and services and

other products have, in practice, been produced with floating foreign currency. When the inexpensive foreign currency next year is allocated to essential goods, in terms of the change in the foreign currency rate, normally the cost of the domestically produced goods will not change significantly.

2. Besides the above-mentioned issue, which shows the effect of the official change of the rate of foreign currency on the supply side, in terms of demand also, the matter is worthy of note. The price of goods and services has no appropriate relationship to cost and is fully dependent on the demand for the product. This issue was almost true in 1369, when the government tried to set prices in government units on products produced with competitive foreign currency. In other words, psychologically and economically the suppliers determined the minimum price on the basis of an open foreign currency rate and then priced the goods or services according to the demand of the market, so that the price of many products decreased due to the breaking of the monopoly on the import of raw materials, considering the demand in the market compared to prior to the imposition of the new policies. This year, with the decrease in purchasing power, the wait-and-see attitude, and uncontrolled imports, a recession has appeared in the production and consumption market, a great deal of products remain in warehouses, and many producers have been forced to lower prices. Next year, the only way for the producers is to decrease the cost of production and improve quality, a matter that is vital medicine for the national economy.[2]

At the same time, with the steps that will be proposed after examining the foreign currency situation, this anxiety can be reduced, and the success of the government in essential reforms in the country can be increased.

Footnotes

1. Report of the Deputy Minister for Industries and Operations of the Ministry of Industries on Foreign Currency Production and Uses.

2. Concerning the imports and their effect on production and consumption, God willing, I shall speak briefly in subsequent issues.

[4 Jan pp 1, 20]

The Foreign Currency Situation of the Country: The 1372 Budget Bill, Part 5

[Text] Creating a single foreign currency rate is an action that is taking place after years of delay and in a situation of being forced to do it. Even though with the ratification of the Third Majles the government was heading toward creating a single foreign currency rate, perhaps the gain in foreign currency revenues in 1369 [21 Mar 1990-20 Mar 1991] and the optimism in regards to the rapid fruition of developmental projects that would result in the conservation of foreign currency caused the revenues and expenditures to be carried out in such a way that we are not in a favorable situation today.

According to the statistics of the Central Bank, in the three years of 1368-1370, our oil and nonoil exports were $13 billion, $18.8 billion, and $18.4 billion, respectively, and our imports during the same years were $14.7 billion, $20.5 billion, and $28.5 billion, respectively. In other words, the foreign trade balance had a deficit of $13.5 billion in these three years.[1] In the beginning of the work of the government, the foreign currency commitments, due to the operations of the previous government, were about $12 billion. If we add to these figures the foreign credit for the developmental projects ratified in the First Plan, the total of our foreign currency commitments up to the end of 1370 is estimated to be about $30 billion.[2] Naturally, with such heavy commitments, from the beginning of this year the foreign currency pressures showed their effects, and unfortunately some of the commitments have not been paid on time. Since most of the commitments are for a maximum of two years, an important part of these amounts must be paid next year. Considering the average amount of oil exports this year at a price of about $16 per barrel, the oil revenues that are projected by the government do not seem realistic. Hence, naturally, after the payment of the commitments that are due next year, the Central Bank will not have enough to even provide for the major needs easily, let alone the natural turning of the economic wheels and the continuation of reconstruction. Undoubtedly, again unfortunately, we are obliged to engage in credit transactions. In other words, on the one hand, we must pay the due commitments on time and easily and, on the other, make use of short-term commercial credit or long-term investments. But should we not gradually, through correct and calculated management, make up for the past mistakes in creating the above-mentioned obvious commitments? If, God forbid, there should be negligence in this matter, it is not far-fetched for these short-term credits to be turned to long-term loans with unpleasant political consequences, a danger that we have avoided for years at a high cost. Unfortunately, Note 29 of the 1372 budget bill, which is responsible for regulating foreign currency revenues and expenditures, has proposed in Paragraph 6:

"6. The purchase and sale of foreign currency by the Central Bank must be carried out in such a way that at the end of 1372, the total commitments resulting from the operations of the current account and the investment account in the previous years are not increased, and the foreign currency reserves of the country at the end of 1372 are not less than the foreign currency reserves at the beginning of 1372."

If this paragraph is ratified, we actually will allow the commitments not to be reduced by even $1.00. In the past years, we were suffering from the increase in government domestic debt, and if we do not pay attention, God forbid, we shall stretch out our foreign debts. Is a budget with foreign debt better than a budget with domestic borrowing? This paragraph is expected to be

corrected in the honorable Majles in a way that at least 20 percent of the previous noninvestment obligations are reduced without reduction in the reserves. In this manner, we can be hopeful that in the next five years we will no longer have trade debts, and if there are obligations, they are for investments with foreign currency returns. If such a correction is not made, the promise of the honorable president, who expressed hope in his speech that in this year and in the future years the obligations will be reduced significantly, will not materialize.

This picture almost clearly shows why a single foreign currency must be created, because when there is such a gap between revenues and expenditures we will even be obliged to resort to credit purchases for our necessities. Is it proper to continue the trend of the administrative allocation of foreign currency as in the past, a method that because it rationed and allocated foreign currency at a low price created a great appetite for it? The waste of the limited foreign currency resources of the country, which is due to this incorrect method, occurred in various forms and caused much corruption and misuse. Foreign currency with administrative allocation was like rationed cigarettes, which made a number of people hungry for cigarettes, or like rationed rice that spread the habit of its use. A few examples concerning this might be interesting. A couple of years ago, the Petrochemical Company needed girders. For this reason (or pretext), that they are not produced domestically, it imported them—of course, more than it needed. About 10,000 tons of girders, after being stored in Bandar 'Abbas, were brought to the free market through the Ministry of Mines and Metals, and became a successful 400- to 500-million-toman transaction.

While the Ministry of Industries has obtained the commitment of domestic producers of natural gas connections to produce 1.5 million pieces, and they sent their products to the market at the quality verified by the standards, the Center for Procurement and Distribution of the Ministry of Commerce engaged in importing the same products with low-rate foreign currency, imported 10 million pieces, and brought the factory to a dead halt. This is while the annual consumption of this product is no more than 2 million pieces a year. In other words, the item was imported for use in five years with low-rate foreign currency and filled up the warehouses, whereas the allocated foreign currency for the above-mentioned factory was floating foreign currency at a high rate. (How much of these imports will go to the free market?)

The Sarcheshmeh Copper Company exported its products even though the Ministry of Heavy Industries was a customer, and no matter how it insisted, it could not purchase the product and was obliged to import the same copper at a price higher than the price at which the copper company exported it. Why? Because the copper company received its needed foreign currency at a low rate, and, on the other hand, it could sell the foreign currency obtained from exports on the open market and from the difference of these two bring more profit to and help improve the situation of the company. If, on the other hand, it were to sell it to the Ministry of Heavy Industries, it would have been obliged to do so at cost (including the low-rate foreign currency that it used), in which case the ability of the management could be better evaluated.

The defense industries, by importing unassembled bicycle parts and assembling them, wants to play a role in the vehicle market as well. With what foreign currency? How will the foreign currency for the Ministry of Defense, which is allocated at the rate of 7 tomans in accordance with the proposal of the government, be spent?

These are a few of many examples. In the private sector that in the past years has had a smaller share in using low-rate foreign currency, if the situation is not worse, it will not be better. Several thousand cases (amounting to $5 billion) justifying the rights of the government from businessmen in the private sector have been opened up in the Tehran Prosecutor's Offices because of the various kinds of misuse of low-rate allocated foreign currency for imports. Of this amount, the total amount so far that the Prosecutor's Office has to pay is 800 billion rials, that is, about $550 million at the floating rate. In the course of these years, as a result of the rationed foreign currency, how many leech-like people in the government or private sector have become millionaires and billionaires?

Footnotes

1. Statistics Brochure of the Office of Economic Accounts of the Central Bank of the Islamic Republic. The figure on imports in 1370 has been taken from the RESALAT interview with Dr. 'Adeli on 31/5/1371 [22 Aug 1992].

2. The foreign currency yield on imports has been provided by the private sector, the amount of which has not been announced by the Central Bank.

[5 Jan pp 1, 15]

A Few Suggestions: The 1372 Budget Bill, Part 6

[Text] The system of allocation of administrative foreign currency, to some of the disadvantages of which, particularly in escalating consumption, we have referred, will change with the ratification of the 1372 budget bill and will become a controlled floating foreign currency system. In other words, from here on the government will offer its foreign currency revenues on the open market and will only allocate low-rate foreign currency for essential goods and defense and treatment uses. Hence, the rate of foreign currency will become a floating rate and will be determined by supply and demand. Government control over this market will be imposed by its involvement in the government supplies and demands. The revenues obtained from oil are the tool for government involvement in supplying foreign currency, and the supervision of the Central Bank over government foreign currency use is the tool for controlling

demand. This supervision has been stated in Paragraphs 7-9, Note 29, of the proposed government budget bill in the sense that the government sector (including ministries and companies) is obliged to purchase floating foreign currency for imports through the Central Bank. Of course, the note does not give the bank the authority to prevent it, but in practice the Central Bank will be able to create obstacles to government purchases (whenever it is capable).

With the foreign currency rate becoming floating rate, a major part of the government demands will be directed to the free market, and since the rial funds for purchasing foreign currency automatically, or through Note 22 of the proposed bill, is available to government customers, the concern is that the price of foreign currency will rise significantly, and consequently the price of other goods and services will increase. Or with the little control that the government imposes on imports by the private sector (that usually on these occasions are justified by the likes of the World Bank and the International Monetary Fund, under the heading of modification policies), the consumer market will become escalated, and the trade balance will become even more negative.

In my opinion, this concern is quite justified. But the way to eliminate it is not open and shut. Supplying foreign currency through the private sector to the foreign currency market is not under the control of the government. Supplying foreign currency by the government also at the projected level is not very reliable. But the demand for foreign currency in the government sector, fully, and the demand of foreign currency by the private sector, to some extent, are controllable. Naturally, administrative control alone is not what we have in mind. Rather, we recommend suitable policy making in the sense that the Majles and the government must agree to reduce at once the foreign currency expenditures of the government by reducing the developmental funds. This reduction must be at a level that would make developmental funds proportionate with the management, consultant, and equipment capabilities and physical resources.

The previous sections of this study stated that every developmental expenditure will have a rapid revenue effect that will cause demand and is effective in raising the prices, and another effect is in terms of capacity, which is to say that raising the possibility of the production of goods and services and strengthening the supply will have an anti-inflationary effect and generate jobs. As I pointed out earlier, the developmental projects under way, unfortunately, are very inappropriate to the actual capabilities of the country, and the time for the completion of the projects is much longer than the international standard. In the delay of the operations of the projects, the rial funds play the slightest role and foreign currency funds also play a slight role compared to other factors. In other words, if by spending the rial and foreign currency financial resources of the country, whether from revenues or borrowing, we start many projects but do not complete them, the result will be that we will escalate inflation in the name of development and production without slowing down its velocity by creating the suitable capacity. The cement industry is one example.

While for 31 cement projects, with an annual capacity of about 20 million tons, before 1369 [21 Mar 1990-20 Mar 1991] agreements in principle were received, from 1369 on, the start of 18 projects with a capacity of about 9 million tons have been approved. The government has correctly tried to solve the foreign currency problems of the previous ones first. For this reason, all the funds for 19 projects, which had all started prior to 1369 (from 1352-1368 [21 Mar 1973-20 Mar 1990]) have been paid by now (about $1 billion). Eight of these 19 projects were supposed to start operation next year but only two units will be operational. The average international time for the completion of a cement project is three to three and a half years. The Ministry of Industries sums up the problem as follows:

1. Limitation of executive management capability.

2. Lack of resources and equipment for implementing the projects.

3. Limitation of consultant engineering capability, particularly industrial consultants.

4. Severe limitations in the area of design and engineering of machinery and equipment in the country.

5. Lack of allocation of nonfinancial foreign currency and the problems of the regime in using financing, which have caused delays in opening credit up to the middle of 1370.

6. Lack of balance of the financial facilities of the banking system with the needs of the projects and the regulations that govern it.

7. The financial inability of the investors of these projects that has been escalated significantly as a result of the imposition of the economic modification policies.[1]

The problems of Paragraphs 5 and 6 also are due to this openhandedness at the beginning of the project, because when the number of applicants for banking credit and foreign currency increase, naturally there will be a disruption in extending banking facilities and the allocation of foreign currency.

If we want to make the developmental budget "realistic," undoubtedly a significant part of the developmental expenditures will be reduced. This action will be effective if all the projects for which there is no implemental capability are totally shut down and all their resources, including the management, manpower, equipment, and material, are moved to the possible and more effective projects. Otherwise, the positive effects of this action will not appear merely by refusing to give credit and freezing the sources,. This action will have the following positive effects.

1. It will seriously reduce government demand for foreign currency. As a result, not only will the price of floating foreign currency not increase, but it will most likely decrease. The effect of such an event in terms of the actual and psychological influence in controlling inflation needs no elaboration. An important political and economic effect is the public's perception of the government capability and ability in imposing economic policies, an issue that is very valuable for the continuation of the correct movement.

2. The decrease in the developmental budget, as was shown, not only will not decrease development and create capacity, but, on the contrary, by decreasing the shortages that are the result of additional demand, will also increase the velocity of completing the more important projects that are under way, and in fact more developmental work will be accomplished. In fact, by more rapidly completing every project, the power of supply will increase and will have anti-inflationary effects.

3. Decrease in demand for contractual or consultant services and also specialized forces will cause the decrease in high wages of this group. In this manner, the growth in the price of materials, equipment and transportation and port costs will decrease. This event, while it has an anti-inflationary effect on the price of goods and the existing production factors, will reduce the cost of every developmental project and in the future, too, will decrease the cost ratio of the products of every project.

4. The actual low share of government developmental expenditures will become visible in the total budget, and naturally the psychological pressure to decrease the current budget will increase, while the government in practice has done more for development and production. In the concluding section of this study, God willing, several other implemental suggestions will be offered.

Footnote

1. Report on the Existing Situation of the Cement Industries and Projects, published by the Ministry of Industries.

[6 Jan pp 1, 15]

A Few Suggestions: The 1372 Budget Bill, Part 7

[Text] The most important action that the Majles can take in making the proposed government budget realistic and reforming its structure was discussed in the previous section. This action is to decrease the developmental budget to the level of the actual managerial and physical capabilities of the country. If this step is taken correctly and with the coordination of the government, certainly the amount of decrease will be significant and will have the very positive effects that were enumerated, God willing.

Also, the Majles must resist the demand for an increase in the expenditures of government organizations. Moreover, it is necessary for the honorable deputies of the Majles, in reducing the government expenditures, not to apply pressure to carry out the projects in their own region and to favor the interests of the whole country over the short-term contentment of a number of the voters in their constituencies.

Another way to ensure success is to create a single foreign currency, control the policies of the demands in the private sector for foreign currency, and direct this demand towards the needs that are beneficial for production and the development of the country.

Unfortunately, in recent years some import policies have been implemented contrary to what the First Five-year Plan required.

In other words, the goal of the government was to provide logical support for domestic production. In practice, however, by violating some of the policies of the plan law, the market in the country became saturated

[text missing] with foreign goods, most of which are similar to what is produced domestically. Even though permission is necessary to import at a level that would keep domestic industries from monopolizing and would necessarily improve quality, what does it mean when, due to the decrease in purchasing power, we face a shortage of demands domestically and allow some of these limited demands to go towards the market of foreign products and create problems for the factories?

Under the recession conditions that govern the West, in order to break the competition, many of the goods may be offered at the lower prices that are common in the market (even below cost). For instance in the steel industry, last month several steel sheet manufacturers in Europe reduced their prices significantly on exports to the Middle East.[1] Can we merely because the imported steel sheet is cheeper allow the newly established domestic production to be harmed?

For instance, in Europe, which claims that its economic market is competitive, antidumping taxes[2] have been imposed on steel and many other imported goods, which is imposed even at various percentages for various companies from different countries. Or while Iran-Khodrow produced and Saypa Vehicles does not have enough customers, why do we allow various kinds of foreign cars to be offered? The imports of (Dovu) cars is an interesting example. The Kerman Vehicle Manufacturing Company, which is supported by the Office of the Governor General of Kerman, has signed an agreement with the manufacturer of this car to import its assembly line, and initially, as is customary, has received permission to import 10,000 manufactured cars. The abovementioned cars were imported by way of free foreign currency. This pressure on the domestic foreign currency market is disadvantageous to production in the country.[3] There are many such cases. If we do not make proper decisions in this area on the basis of national interests,

and instead follow the implementation of the apparently scientific recommendations of international agencies,[4] we will certainly not be able to support production next year, while the danger of the foreign trade balance becoming more negative increases, a problem that the creation of a single foreign currency rate was intended to decrease. At such times, usually countries, by changing the tariffs (increasing customs duties and commercial profit taxes on imports), try to raise the price of imports into the country, in order to have more customers for domestic products, an action that the Ministry of Commerce has been engaged in for a while, and the promise of its completion has been given for the near future. But because the difference in income in the country is great, and, unfortunately, love of luxury has also increased, the difference in price of about 20 to 30 percent will not do the job, and because of the difference in the quality of imports compared to similar domestic products (in the case of many goods), again the customer is attracted to foreign goods. For this reason, alongside the increase in tariffs, we must also use proper import restrictions; otherwise, we will witness an increase in the demands of the private sector for the domestic foreign currency market to import.

If by reducing the developmental budget, the government reduces the demand for foreign currency and the government, by imposing appropriate restrictions and tariffs on imports, reduces private demands for foreign currency and gives it direction, there is hope for relative stability in the price of foreign currency and control of inflation, while development, production, and employment generators will also improve. In other words, the whole economy will become sounder. These actions will be in the interest of the consumers, particularly the oppressed and low-income classes, and also the domestic producers and will reduce the profits of the trade sector proportionately.

Another necessary government step is to transfer the government companies and establishments to the people. Unfortunately, in recent years the government has fallen far behind schedule in this regard. RESALAT has frequently offered documented comments on this issue. Now, too, we say that if the government does not restrict itself within its legal duties and actual resources, the economic disarray will continue and the pressure on the oppressed people will increase. It is enough to point out that the losses of the government companies, which must be compensated for from the treasury, have been projected in the 1372 budget to be 1,697 billion rials, about 170 billion tomans. At the present time, when the foreign currency rate in the market is supposed to be determined, certainly production investment will be very costly, and it is not unexpected for the tendency of the private sector to decrease in this area. But a good opportunity for the sale of factories to the people will be provided. The single foreign currency rate will increase the price of fixed wealth, such as factories, and government property will increase. Naturally, the government revenues from their sale will be much greater than before. If the government looks at this issue from the perspective of gaining revenues, it will not be very successful, but it must regard transfer to the people as a necessary issue for economic reform and set the prices such that the private sector, which now finds new investments to be very expensive, will be encouraged, and the psychological effect of relatively low prices will raise the demand for purchasing. Of course, in any case, government revenues will be much greater than before the creation of a single foreign currency.

Another very necessary action is to reduce the number of employees in the government sector, about which there has been for talk many years, but no effective step has been taken. Severance pay to surplus employees can be tied to the sale of factories. In other words, shares of profitable units at incentive-creating low prices can be given to employees as their severance pay, while they are allowed to sell their shares. The transfer of employees and short-term training of the surplus work force is also another way to achieve this goal. Last week, the Mellat Bank and the Document and Property Records Organization in long advertisements announced that they will have a large number of employees, while a significant segment of the needed forces can be supplied from the surplus of other organizations.

This is an issue that the government and the Administrative and Employment Affairs Organization must address. If in order to pay severance pay to surplus employees and pay their salaries until they find a job the government even borrows money from the Central Bank, the advantages of this action will exceed the losses in the budget deficit. I hope the honorable Majles, with the help of the government of the beloved president, succeeds in reforming the budget as much as possible to improve the national economy and decrease pressure on the noble and oppressed people.

Footnotes

1. RESALAT, 30/9/71 [21 Dec 1992], p. 19.

2. Developing means offering goods under the market price to drive out the competition, so that after they are defeated, the apparent low seller power has a monopoly on setting prices.

3. According to the announcement of the Ministry of Heavy Industries in RESALAT, 3,500 of these cars have been imported. It is said that the profit obtained from the sale of every unit is 4 million rials. In other words, this trade brings 2 billion tomans in profit for the agent. In whose interest are these huge profits from trade and to whom are they a detriment? Which industrialization can yield such profit in such a period of time?

4. The innocent-looking scholarly conference in inculcating the theory of the relative advantage and division

of international labor is now the tool for the perpetuation of domination. These theories must be viewed from a national and Islamic perspective. The West, which is trying to inculcate such theories as science, is itself looking at it from within the framework of its national interests and essentially in this situation, political intentions cannot be put aside. Our evidence is the United States dumping taxes on imports that negates those so-called scientific theories.